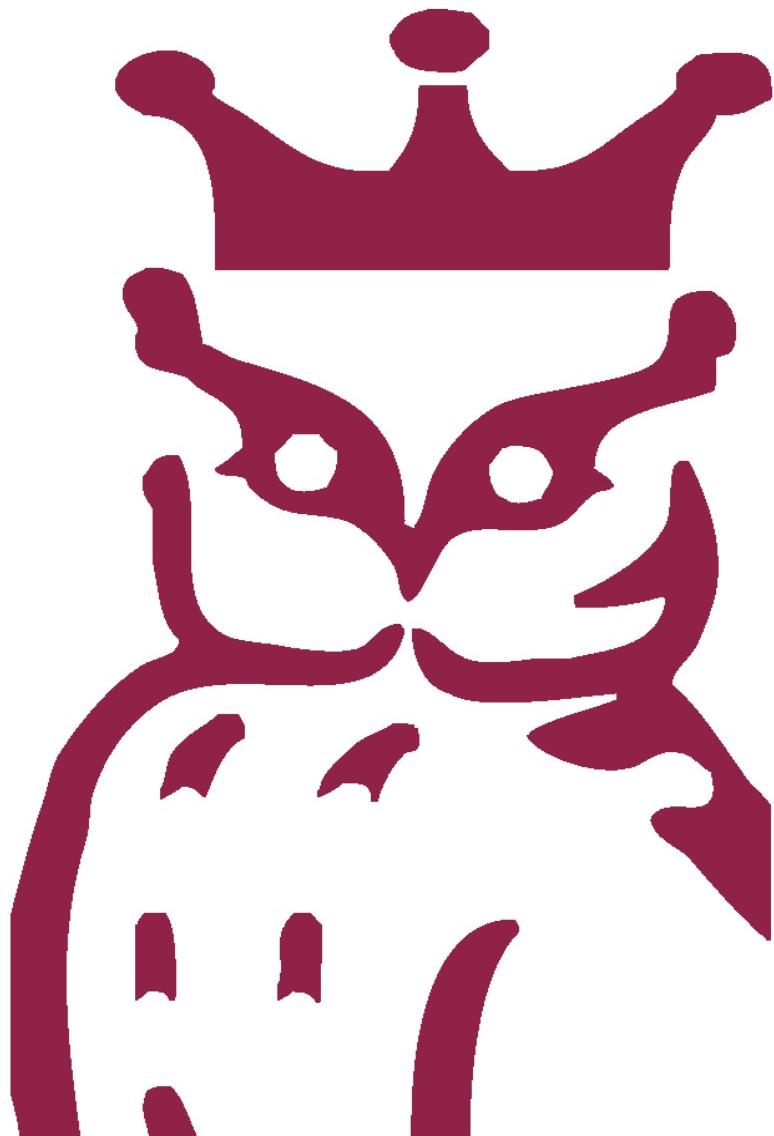


# **Statement of Accounts**

## **2010/11**

Deposit edition  
25th July 2011



Corporate Financial Management





## Statement of Accounts 2010/11

deposit edition

30 June 2011

### Preface

Foreword by the Director of Resources

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# **Foreword**

## **by the Director of Resources**

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of such a large and diverse organisation as Leeds City Council are by their nature both technical and complex and so this foreword explains some of the statements and sections in this document and provides a summary of the authority's financial performance for 2010/11 and its financial prospects.

The Statement of Accounts features four main statements reporting on Leeds City Council's core activities:

- The Comprehensive Income and Expenditure Account,
- the Movement in Reserves Statement,
- the Consolidated Balance Sheet, and
- the Cash Flow Statement.

Each is preceded by a short note describing its purpose, and they are followed by notes explaining the statements.

The main statements are supplemented by three further sections:

- the Housing Revenue Account reports on the council's activities as a social landlord, which are consolidated into the main statements;
- the Collection Fund account reports on the collection of local taxes and their distribution; and
- the Group Accounts show the full extent of the authority's activities by including subsidiary and associate companies and joint ventures.

These too are preceded by notes explaining their purpose and have explanatory notes.

We also produce a simplified compact set of accounts. Whilst having no formal legal standing, by stripping out many of the technicalities they give a clear if simplified view of our financial position. They are available at [www.leeds.gov.uk/accounts](http://www.leeds.gov.uk/accounts).

### **1 Accountability and financial reporting**

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability the council is required to produce a set of accounts in order to inform you, as a stakeholder of the council, that we have properly accounted for all the public money we have received and spent and that the financial standing of the council is on a secure basis.

The council's Statement of Accounts concentrates on clear and accurate reporting of the financial position of the council in relation to a particular year. It does not however aim to fulfil the role of an annual report of a company. This would duplicate much of the work already published in other documents produced by the council – in particular the Council Plan, the Business Plan and the Capital Strategy and Asset Management Plan.

- The Council Plan outlines our priorities for improvement and our achievements to date. It details how the council will drive improvement in the services it delivers and includes a section summarising the council's financial plans and how the budget provides support for corporate plan priorities.

- The Business Plan includes the principles underpinning our financial planning and methodology used to allocate resources to support the delivery of the Leeds Strategic and Council Business Plans. Details of the approach to the allocation of revenue resources to services are contained in the chapter “Resourcing our Priorities”. This places resource allocation in a strong policy framework based on an analysis of needs, both nationally and locally determined and focuses on delivering efficiencies and an understanding of local priorities.
- The Capital Strategy and Asset Management Plan details the council's approach to the management of its assets both at a corporate and at a departmental and service level. The Capital Strategy section outlines capital investment over the next five years, and the Asset Management Plan outlines the approach to asset management and highlights the progress made to date. The plan is designed to improve the property portfolio of the council to ensure that the assets of the council are well maintained, appropriately located, fit for purpose, and accessible for their intended users.

Local electors and taxpayers have statutory rights to inspect the accounts before the audit is completed and to question the auditors. We advertise the inspection ("deposit") period in the Yorkshire Post. To make the accounts as widely available as possible we publish both the draft and final versions on the internet at [www.leeds.gov.uk/accounts](http://www.leeds.gov.uk/accounts) (Leeds residents have free internet access at their local libraries). From the internet page you can also read the Audit Commission briefing *Councils' Accounts – Your Rights* and the external audit reports, e-mail me with any comments or questions you have about the accounts, or click through to the other documents mentioned above.

## **2 A summary of the Council's financial position**

The following summary of the financial performance of the council covers:

- The council's overall financial performance;
- The performance of statutory ring fenced accounts; and
- The performance of the Group.

For the first time, Local Authority Accounts are compiled based on International financial reporting standards (IFRS). The main changes required under IFRS are explained in section 3 below. Whilst there are a number of new statements and disclosures, one of the main requirements of IFRSs is that the accounts are restated as if IFRSs had always been applied. Consequently all comparator data has been amended to reflect the new standards. Where this leads to a material change from previously reported figures under UK GAAP they separately disclosed in the accounts (see page 82).

### **2.1 The Council's overall financial performance for the year**

#### **a In year financial performance**

The Council's financial performance for the year was reported to the Executive Board on the 22nd June 2011 (a copy of the report is available on the Council's website). This report recognised an underspend of £5.1m against an approved budget of £569.3m. The 2010/11 Comprehensive Income and Expenditure Statement (CI&E a/c) takes a wider view of the financial performance and shows a deficit for the year of £127.8m (£770.6m in 2009/10). This deficit represents the amount the Council's net worth has fallen over the year. This is shown on the Balance Sheet as a reduction in net assets less liabilities between 31st March 2010 and 31st March 2011. In addition, to the in year underspend of £5.1m reported to the Executive Board; there are four main factors which have contributed to this reduction in the net worth of the Council:

- i) Unlike in previous years, all changes to the pension deficit are now shown in the CI&E a/c. For 2010/11 the Council's pensions deficit has been significantly reduced, resulting in a £733m credit to the reported bottom line of the CI&E a/c. This mainly reflects the impact of the Government's decision to move to pension increases being in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The actuaries calculation of the Council's pension deficit assumes that the CPI rate is, on average, 0.5% less than the RPI rate resulting in a reduction to the predicted value of future pension liabilities. For consideration of how this much improved position compares with the latest actuarial review of the pension fund see section b (Financial Health as at 31<sup>st</sup> March 2011) below.
- ii) The CI&E a/c incurs a charge for the depreciation of its fixed assets. This charge is an indication as to the cost the Council will have to incur, through borrowing and repairs and maintenance budgets, in order to maintain the standard of our buildings and other assets. For 2010/11 this amounted to a cost of £133m.

The CI&E a/c also, receives an impairment charge if there is any indication that an asset is either being used up, or its value is falling, faster than currently recognised by the rate of depreciation. For 2010/11 this charge amounted to £758m. Normally such impairment charges reflect the reduction in the value of an asset from an incident such as a fire or demolition. However, in 2010/11 there has been a change in the way Council Houses are valued which has generated an impairment charge of £631m to the CI&E a/c. This impairment charge reflects the impact of the Government's decision to amend the prescribed calculation for assessing the social value of the Council's housing stock (from 47% of their market value to 31%). Any potential loss through impairment would only be realised if the assets were sold at their social value rather than the actual market value of the properties. The market value of our Council house stock is some £4.6bn compared to the new social value of £1.5bn. If the Council was to include the full market value of its Council Houses this would increase the Council's net worth by £3.1bn.

- iii) Under IFRS any grants for which any conditions imposed by the granting body have been met, or there is a reasonable expectation that the conditions will be met, then the grant must be recognised in the CI&E account. Previously all unspent grants would have been treated as receipts in advance and carried forward as a creditor on the balance sheet. For 2010/11 this amounted to £107m (£102m capital and a net £5m revenue grants). These grants are carried forward on the balance sheet as earmarked reserves to meet planned expenditure in future years.
- iv) The CI&E a/c also recognises any gains or losses on disposal of fixed assets. For 2010/11 this amounted to a loss of £86m, reflecting the fact that a number of schools are now either trusts or academies. The Council has no choice in whether to transfer these assets and does not receive any consideration for their transfer.

Whilst financial reporting under IFRS provides an important indication as to the financial health of the Council, the amounts actually chargeable to a local authority's council tax and its General Fund reserves are controlled by legislation, and include a number of statutory and accounting adjustments. Of the above factors the pension savings, the depreciation and impairment charges and the losses on disposal of fixed assets are reversed under statute.

Whilst recognising that the CI&E a/c provides a number of important indicators as to the financial health of the Council, it is the £5.1m surplus which has the immediate impact on taxpayers and dictates the level of General fund reserves available to the Council. This £5.1m underspend for the year has not been easily achieved as the Council has had to deal with in-year pressures in excess of £45m. These have included demand pressures of £24.3m, and declining income. The main in-year pressures were as follows:

- Externally provided placements, both residential and with independent fostering agencies, have continued to be a major pressure on the Children's Services budget costing £11.6m more than the budget. However these were partly offset by savings of £1.7m on the in-house allowances and fees to carers budgets which reflected the changing mix of placement provision.
- Increased pressure on the budget for Community Care packages resulted in increased costs of £12.7m within Adult Social Care, mainly reflecting residential and nursing care placements being £6.7m higher than budgeted, £5.2m for independent sector domiciliary care and £1m on the Learning Disability Pooled budget.
- The economic downturn has again had a significant effect on income levels in 2010/11. Within the City Development directorate there was a shortfall of £4.1m from a number of external income sources, including planning and building fees, sport, parks and countryside and Architectural Design Services. Within Environment and Neighbourhoods, a shortfall in car parking income amounted to £1.3m. In addition, the 2010/11 budget included income from Section 278 schemes of £5.2m, compared to the outturn of £3.0m, reflecting the slowdown in development activity.

In addition to the above pressures the new Government announced a £1.166bn in-year reduction in grants to Local Authorities as part of its accelerated deficit reduction plan. The impact of which was a £15.0m reduction in revenue grants to the Council. The scale of these grant reductions and the fact that they were notified part way through the year presented the Council with a significant difficulty in managing them.

However, through careful financial management, the delivery of staffing and other savings in directorates and the corporate identification of savings, it has been possible to not only deliver a balanced position, but to also make a contribution to reserves in anticipation of the budgeted utilisation of reserves planned for 2011/12. The main in year savings are as follows:

- Overall, staffing budgets were under spent by £4.5m. Staffing numbers have reduced by 1159 during the year in advance of the 2011/2 financial year.
- Debt charge savings of £4.6m have been achieved during the year, taking advantage of the continued low interest rates.
- Recent changes to the accounting rules regarding the treatment of Private Finance Initiatives (PFI) schemes has meant that an element of the PFI payment is now recognised as capital spend and, in accordance with legislation, can therefore be funded from capital receipts. For 2010/11 £8.4m of PFI payments have now been funded by capital receipts resulting in a saving to revenue.
- Additional income has been generated within Adults Social Care with income of £4.5m from NHS Leeds approved in year to support reablement and effective outcomes around hospital avoidance and hospital discharge. In addition, Children's Services also received £1m funding from health.

The General Fund reserve now stands at £21.1m. After the use of £2m to support the 2011/12 budget, this leaves an estimated £19.2m at the 31st March 2012. This is broadly in line with the minimum reserves as determined by the Council's risk based reserves strategy.

#### **b Financial health as at 31<sup>st</sup> March 2011**

As identified in the CI&E a/c, the Council's assets net of liabilities has fallen by £127.8m and now stands at £710.5m. Whilst section (a) i – iv) above identifies the main reasons for this fall, the Council's balance sheet also contains other transactions, mainly relating to capital, which impact on the Council's financial standing. The following section analyses the main issues impacting on the Council's balance sheet as at 31st March 2011:

- The Council's overall share of the pension deficit on the West Yorkshire Pensions fund has fallen to £740m and represents the difference between the value of the Authority's pension fund assets at 31st March 2011 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in their full actuarial review of the Pension Fund, carried out as at 31st March 2010. Whilst this is done on a different basis to the determination of the deficit in the annual accounts, it does provide a good indication of the future standing of the pension fund based on the fund's current position. The actuarial review concluded that the Pension fund was 93% funded, with a predicted deficit for Leeds City Council of £97m. Based on the actuarial review, the Council has established appropriate employer contribution rates in order to move the fund towards a fully funded position over a 22 year recovery period. This position excludes any potential impact of the recently published Hutton report and the intention of the Government to increase employee contributions to public sector pension schemes on average by 3%. Employer contribution rates have been agreed on the basis that should employee contributions change prior to the next valuation, then employer contribution would be reviewed.
- Overall the value of the Council's long term assets have fallen by £741m. There are a number of factors affecting the value of our assets but as outlined in section a (ii) above the largest impact in 2010/11 is due to the depreciation and impairment of the assets. Other factors impacting on the carrying value of our assets are:
  - Additional capital spend in year of £279m.
  - Disposals of £93m, of which £86m was recognised as a loss in the CI&E a/c as a number of schools were transferred to trusts or recognised as academies.

Whilst we have seen a drop in the operational value of the Council's long term assets, the overall market value of the Council's assets is considerably higher. In particular the market value of our Housing stock is around £4.6bn (current social value £1.5bn) and our infrastructure assets are currently only recognised at depreciated historic cost (£708m) when their market value would run into billions of pounds.

- Overall the Council's useable reserves have risen from £162m in 2009/10 to £191m in 2010/11, an increase of £29m. The majority of these £191m of useable reserves are ring fenced (£151m) and are not available to support general expenditure. The main ring fenced reserves as at 31st March 2011 are:
  - School based reserves £25m;
  - Revenue grants received in advance of planned expenditure £12m;
  - Capital grants received in advance of planned expenditure £94m (£87m as at 31st March 2010, plus a further £102m received in year, less the £96m applied to fund capital schemes);
  - Housing Revenue Account reserves £20m, statutorily ring fenced to the provision of local authority housing.

The remaining £40m of reserves is made up of the £21m General Fund Reserve and £19m of earmarked reserves. Of the £19m earmarked reserves, the majority, some £15m, is earmarked to support future PFI or capital liabilities.

- Overall debt stands at £1,504m (£1,459m in 2009/10) made up of long term borrowing £1,299m (£1,334m in 2009/10) and borrowing repayable on demand or within one year of £205m (£125m in 2009/10). The level of overall debt has increased by £45m from 2009/10 reflecting £20m of new long term and a net £25m of new short term loans. In

addition, whilst not impacting on overall debt levels, some loans have now been reclassified as short term as they have less than a year to maturity.

- The amount owed by the Authority for the financial year but not yet paid (current creditors) decreased by £19m. The major reason for the decrease in creditors is due to a £10m reduction in the year end payments due to Education Leeds as the contract came to an end on the 31st March 2011, and a £2m reduction in the amount outstanding to HMRC due to a fall in the tax payable on the actual number of equal pay compensation payments made in year. In respect of creditor payments to individuals and business it is the Council's aim to pay such creditors within 30 days. For 2010/11 the Council paid 90% of its undisputed invoices within the 30 days, an increase in performance of 2% compared to 2009/10. Overall 94% of the authority's invoices were paid within 40 days and 100% of small suppliers were paid within 20 days.
- The amount owed to the Authority for the financial year but not yet received (current debtors) decreased by £20m. The main reason for this decrease in the value of debtors was a £11m reduction in outstanding grants due from Government departments due to the cessation of some grants and the year end timing of when grants are actually paid. In addition there was a £7m reduction in the NNDR debtor due to the timing and improved estimation used in the 2010/11 interim claim which reduced the value of the outstanding claim at year end.
- Provisions have increased by £34m, mainly reflecting additional settlements due under the equal pay agreement.
- The Council recognises the amounts due under PFI and finance leases as deferred liabilities on the Balance Sheet. As at 31st March 2011 the Council's deferred liabilities have increased by £48m, mainly reflecting additional liabilities on new PFI schemes in 2010/11.

## 2.2 Ring-fenced accounts

The following is a summary of the financial performance of a number of statutory ring fenced accounts managed by the council. The Housing Revenue Account is consolidated into the council's overall financial statements.

The Collection Fund Account reflects the statutory requirement to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates. This account is not consolidated into the council's accounts other than the Council's Comprehensive Income and Expenditure Account receiving a share of the collected Council Tax.

### i The Housing Revenue Account (HRA)

The HRA Income & Expenditure account shows a deficit for the year of £634.3m. This deficit is then adjusted to reflect any statutory overrides to accounting practice in order to produce a reported financial position which directly impacts on Council House rent payers. For 2010/11 the statutory overrides amounted to a credit to the HRA of £636.2m, resulting in a financial surplus for the HRA of £1.9m (compared to a deficit of £0.7m in 2009/10). The main statutory override impacting on the 2010/11 HRA is the reversal of a £631.4m impairment charge made in year, reflecting the Government decision to reduce the social value of Council Houses recognised on Local Authority balance sheets.

The surplus of £1.9m was transferred to earmarked reserves as approved by the Executive Board on the 22nd June 2011. In addition the Executive Board agreed to set aside £0.6m of the HRA general reserve as a further earmarked reserve to fund the replacement of Care ring equipment.

Overall the HRA reserves stand at £20.1m as at 31st March 2011 (£18.1m as at 31st March 2010). £4.0m of this sum represents the HRA general reserve; this is deemed to be a prudent level based on the Council's risk based reserves strategy. Of the £16.1m earmarked HRA reserves, £11.5m is being held to fund the future costs of the Swarcliffe PFI scheme. Full details of the all the HRA reserves are shown in the explanatory note H6.

## ii Collection Fund

The Collection Fund for 2009/10 generated a deficit of £0.84m (£0.82m deficit in 2009/10). This leaves the collection fund with negative reserves as at 31st March 2011 (there were no reserves carried forward as at 31st March 2010). A Collection Fund balance arises because of differences between estimated and actual amounts of total council tax bills. Balances at the year end will feed into the estimate of the collection fund position that is made the following January and the estimated balance at that point in time will be taken into account when calculating the council tax for the following year. National Non Domestic Rates do not impact on the Collection Fund balance as they are paid over to the government's national pool and redistributed to authorities based on population.

The percentage of local taxation collected in year reached 96.7% for council tax (96.5% in 2009/10) and 97.9% for national non-domestic rates (97.8% in 2009/10). The council tax figure is the best collection figure since the introduction of council tax. Ultimately in excess of 99% of Council Tax due to the council will be collected. The current economic climate is still affecting the collection of non domestic rates with companies finding it difficult to make payment. In many cases payment arrangements have been made which go beyond the end of the financial year. In addition some companies have taken extension of the small business rate relief scheme.

## 2.3 Group performance

The Code of Practice on Local Authority Accounting 2010 defines the tests for determining which entities are included in the council's group accounts. For 2010/11 the definition of group entities has changed due to the implementation of IFRS. This has lead to an expansion in the number of entities now accounted for under the Council's Group accounts. The following additional entities are now included and their results consolidated into the group accounts:

Leeds Grand Theatre, Belle Isle Tenant Management Organisation, Leeds Groundwork Trust, Marketing Leeds Ltd, Green Leeds Ltd and the Craft Centre and Design Gallery Limited.

The aim of the group accounts is to show the overall picture of the activities of the authority and the resources used to carry out these activities. The following is a summary of the financial performance of the key entities included in the group. Full details on the activities of the group are shown in the accompanying Statement of Accounts (see Group Accounts).

### a Arms Length Management Organisations (ALMOs)

Collectively the three ALMOs showed a surplus position for 2010/11 of £37.8m (£8.7m surplus in 2009/10). The detailed performance figures for each individual ALMO are available in the Statement of Accounts under the Group Accounts section.

The net assets held by the companies to fund the pensions deficit now stand at £46.3m (£31.8m in 2009/10). As at 31st March 2011, the net pension liability for the three ALMOs stood at £11.7m (£35.3m in 2009/10), producing net reserves for the companies of £34.6m (£3.5m negative reserves in 2009/10).

### b Education Leeds

Due to the cessation of the contract with Education Leeds at 31st March 2011, the contract was amended before the year-end in order to repay the accumulated operating surplus as at 31st March 2010 and the forecast in-year surplus for 2010/11. This amounted to a reduction in the

Education Leeds contract of £3.2m. Consequently Education Leeds has a small in year operating deficit, before pension adjustments, of £0.8m for 2010/11 (£0.5m deficit in 2009/10).

The net assets (reserves) held by the company to fund the pensions deficit now stands at £1.8m (£2.6m net liabilities in 2009/10). As at 31st March 2011, the net pension liability for Education Leeds stood at £30.7m. (£65.1m in 2009/10), producing net liabilities for the company of £28.9m (£62.5m in 2009/10).

c Other Group entities

Collectively the other entities within the group broke even in year and have reserves of £1.6m as at 31st march 2011. The net assets of these other group entities amounted to £2.4m as at 31<sup>st</sup> March 2011.

d Impact of the group entities on the overall financial position

Whilst it should be recognised that the Group entities do not represent a major part of the Council's activities, the Group Accounts do show that they hold a significant level of reserves (£52m). The major reason behind these levels of reserves is to contribute to the pension deficits of £43m.

It should be noted that whilst the Group Accounts do show the full scale of the Council's financial activities, those that are the most financially significant are in-fact limited companies and as such the Council would only be required to contribute a nominal sum if any of them are wound up.

### 3 Current accounting practice and new developments

#### 3.1 Changes to accounting practice

The accounting practice governing Local Authority accounts has undergone significant changes over the last few years with the 2010/11 accounts required to move to full compliance with International Financial Reporting Standards (IFRSs). Some of the IFRS based changes were introduced in 2009/10 i.e. IFRS based accounting practice for PFI transactions. The remaining changes made in 2010/11 were as follows:

- The adoption of IFRS based accounting practice requires the accounts to be amended to reflect the position as if IFRS accounting had always been applied. Consequently all comparator figures have been amended in line with the new requirements of IFRS.
- The new Comprehensive Income & Expenditure account (CI&E a/c) recognises the change in the Council's overall net worth. Previously, under UK (GAAP) any unrealised gains and losses were not recognised in the Income & Expenditure account but shown in a separate Statement of Total recognised Gains and Losses. Unrealised gains and losses, such as the revaluation of assets, are now charged directly to the CI&E a/c.
- The new Statement of movement in reserves identifies all the movement in reserves for the year, analysed between useable and unuseable reserves. Unuseable reserves are those based on statutory adjustments to ensure certain accounting requirements do not impact disproportionately on current tax payers.
- All the Council's leases have been reviewed to determine whether they are operating or finance leases under IFRS based accounts. Assets funded under finance leases are recognised on the balance sheet along with any associated deferred liabilities.
- Under IFRS, any grants for which any conditions imposed by the granting body have been met, or there is a reasonable expectation that the conditions will be met, then the grant must be recognised in the CI&E account. Any unused grants are then carried forward as either a useable capital reserve or a revenue earmarked reserve. Previously capital grants would

have been applied directly to appropriate capital schemes and any unspent grant carried forward as a receipt in advance.

- Any short term employee benefits such as paid annual leave or paid sick pay must be accounted for in the year in which the employee worked for the Council. Consequently any outstanding benefits must be accrued to the CI&E a/c. A statutory override allows Local Authorities to carry forward such accruals in an unuseable statutory revenue reserve. For 2010/11 this accrual amounted to £11m, the bulk of which related to teachers due to the timing difference between the school year and that of the financial year end.
- Under IFRS the definition of what constitutes the Council's control and influence over entities has changed. This has lead to an increase in the number of subsidiary and associate companies now consolidated into the Group accounts.

#### 4 Looking forward

The 2010/11 financial year was challenging, with the council having to meet increasing cost pressures, generate efficiencies and maintain key front line services whilst dealing with the impact of the economic downturn. The 2010/11 budget sought to address many of the service pressures experienced in 2009/10 and included increased expenditure on services for vulnerable children and adults including safeguarding older people, whilst addressing cost and income pressures arising from the current economic conditions. The budget also included a challenging efficiency target of £22.1m. As part of the government's accelerated deficit reduction plan, details were announced on the 10th June 2010 as to which grants to local authorities were to be reduced in the current financial year. The impact for Leeds was £15.0m in revenue and £12.0m in capital.

The Government's Spending Review (SR) was published on the 20<sup>th</sup> October 2010, setting out expenditure plans for the next four years. The figures per the SR indicated a real terms reduction in spend of 26% over the four years, to be frontloaded. For Leeds this suggests that the Council will need to deliver savings in excess of £159m by 2014/15 and nearly £90m in 2011/12. The 2011/12 budget was prepared on this basis, presenting a significant financial challenge to the Council which is without precedent in recent time.

There are continuing demand cost pressures particularly within Adult Social Care and Children's services and income continues to decline in both City Development and Environment and Neighbourhoods. In order to address these issues, a number of targeted budget areas were identified and actions put in place to deliver £90m savings in 2011/12 .

The workforce will be much reduced over the life of the Spending Review, with over 1100 full time equivalents leaving the council in 2010/11 and a further 400 budgeted to leave in 2011/12. Over the four years it is anticipated that the workforce will have reduced by over 3,000.

Significant savings are anticipated from procurement activity, both by managing with less and renegotiating Council contracts. Premises cost savings are to be generated through targeting energy consumption and reducing our building stock. New charges have been introduced in some cases specifically for certain cultural events which have been provided free of charge in the past.

The council's Medium Term Financial Plan is currently being updated and will cover the years to 2014/15. Work has commenced on developing the plan, which will include an in depth review of directorate budgets. The plan will provide a framework to help ensure that the council can respond to the financial climate by focussing on delivering efficiencies and maintaining investment in local priorities.



# **Statement of Responsibilities**

## **1 The City Council's responsibilities**

The City Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Leeds City Council, that officer is the Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

## **2 The Director of Resources' responsibilities**

The Director of Resources is responsible for the preparation of the City Council's Statement of Accounts. In preparing the statement, the Director of Resources has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;
- applied the accounting concept of a 'going concern' by assuming that the authority's services will continue to operate for the foreseeable future.

The Director of Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## **3 Certification of the accounts**

I certify that the Statement of Accounts gives a true and fair view of the position of Leeds City Council at 31st March 2011 and its income and expenditure for the year ended 31st March 2011.



Alan T Gay CPFA  
Director of Resources  
30 June 2011

# **Statement of Accounting Concepts and Policies**

The accounts follow the appropriate accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code). The Code constitutes a “proper accounting practice” under the terms of section 21(2) of the Local Government Act 2003. The Code is based on approved accounting standards, except where these conflict with specific statutory accounting requirements, so that the authority’s accounts present fairly the financial position and transactions of the authority.

The accounting concepts and policies which have a material impact on the accounts are as follows:

## **1 Fundamental accounting concepts**

### **1.1 Qualitative characteristics of financial information**

#### **a Relevance**

The accounts have been prepared with the objective of providing information about the authority’s financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

#### **b Reliability**

The financial information is reliable as it

- has been prepared so as to reflect the reality or substance of the transaction and activities underlying them, rather than their formal legal character;
- is free from deliberate or systematic bias;
- is free from material error; and
- has been prudently prepared.

#### **c Comparability**

In addition to complying with the Code, the authority’s accounts also comply with the Best Value Accounting Code of Practice. This code establishes proper practice with regard to consistent financial reporting below the statement of accounts level and therefore aids comparability with other local authorities.

#### **d Understandability**

These accounts are based on accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government. However, every effort has been made to use plain language and where technical terms are unavoidable they have been explained as they occur.

### **1.2 Materiality**

As allowed under the Code the concept of materiality has been utilised in preparing the accounts, so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.

### **1.3 Pervasive accounting concepts**

#### **a Accruals**

The financial statements, other than the cash flow information, are prepared on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.

#### **b Going concern**

The accounts have been prepared on the assumption that the authority will continue in operational existence for the foreseeable future.

#### **c Primacy of legislative requirements**

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts. The following legislative accounting requirements have been applied when compiling these accounts:

- i Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003.
- ii The Local Government Act 2003 requires the authority to set aside a minimum revenue provision (MRP) for repayment of debt. This should be at a prudent level, as defined by the Act and in accordance with statutory guidance. The MRP is charged to revenue by an appropriate increase or decrease in the depreciation charge. This adjustment is made by way of an appropriation to or from the capital adjustment account.
- iii The Collection Fund account reflects the statutory requirement of section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).
- iv The Housing Revenue Account is compiled following proper practice as defined in section 74(1) of the Local Government and Housing Act 1989 and section 21 of the 2003 Act.

None of the above legislative requirements impacts on the Council's accounts to the extent that they no longer present fairly the financial position of the authority.

## **2 Accounting policies and estimation techniques**

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the authority. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.

Where estimation techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is separately disclosed.

## **2.1 Accruals of income and expenditure**

- a Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- b Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- c Employee costs are charged to the accounts of the period within which the employees worked. Accruals have been made for wages earned but unpaid at the year-end.
- d Interest payable on external borrowings and interest income is accrued and accounted for in the period to which it relates on a basis which reflects the overall economic effect of the borrowings. In accordance with the accounting requirements for financial instruments, accrued interest is added to the balance of the instrument to which it relates rather than being shown within short term debtors and creditors.
- e Supplies and services are accrued and accounted for in the period during which they are consumed or received. Accruals have been made for all material sums unpaid at the year end for goods or services received or work completed. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **2.2 Provisions and contingencies**

- a Provisions have only been recognised in the appropriate accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event. Provisions are charged to the revenue account and, depending on their materiality, are either disclosed as a separate item on the Balance Sheet or added to the carrying balance of an appropriate current liability. When expenditure is incurred to which the provision relates, it is charged directly to the provision.
- b Where the authority can estimate, with a degree of certainty, that a future event will confirm a quantifiable contingent loss (cost), such a loss has been accounted for in the financial statements.
- c Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included within the financial statements but is disclosed in explanatory note 14.3.
- d Where a material contingent gain is identified it is not accrued for within the accounting statements but disclosed in explanatory note 10.6.
- e The authority accounts for the estimated cost of settling self-insured risk by way of an insurance provision.
- f The carrying amount of debtors has been adjusted for doubtful debts, which should be provided for, and known uncollectable debts have been written off in full.

## **3 Revenue expenditure funded from capital under statute**

Local authorities are permitted by statute to treat as capital some items of expenditure that do not generate an asset or lasting economic benefit, and thus would not be capital expenditure under GAAP (Generally Accepted Accounting Practice). Such expenditure is referred to as revenue expenditure funded from capital under statute, and is charged to the relevant service heading within the Comprehensive Income and Expenditure Account. Any external capital funding used to finance the expenditure is credited to the Comprehensive Income and Expenditure account. However, in order to ensure that the net expenditure is funded from capital funding sources rather than from Council Tax payers, the transactions are reversed out of the General Fund revenue account via the Movement in Reserves statement.

#### **4 Grants and contributions**

Government grants and other contributions are recognised as due to the authority when the conditions of their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Grants and contributions are credited to income when there is reasonable assurance that any conditions attached to the grant or contribution will be met. Any grants received where conditions have not been met are carried in the balance sheet as creditors. When all conditions are satisfied, the grant is credited to the relevant service line, except for non-ringfenced grants and capital grants, which are credited to Non-ringfenced government grants in the comprehensive income and expenditure statement.

Capital grants are reversed out of the general fund balance in the movement in reserves statement to the capital grants unapplied account. When the grant has been applied to fund capital expenditure it is posted to the capital adjustment account.

#### **5 Employee Benefits**

Accruals for short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick pay for current employees and are recognised as an expense for services in the year which employees render service to the Authority.

Paragraph 10 below covers accounting for pensions.

Potential liabilities arising in relation to unequal pay claims have been treated in accordance with the authority's policies on provisions and contingencies (see 2.2 above).

#### **6 Financial instruments – financial assets**

Financial assets in the classification 'loans and receivables' are valued on recognition at fair value (usually the cost of acquisition), and are subsequently valued at amortised cost less a provision, if appropriate, for impairment. Loans and receivables are included in the Balance Sheet within either long term debtors, long term investments, current debtors or current investments. Interest receivable on financial assets is credited to the income and expenditure account at the effective interest rate arising from the amortised cost calculation. Any accrual of interest at the balance sheet date is included within the value of the relevant financial assets rather than being shown as a separate debtor.

Where the authority makes a loan at less than the prevailing market interest rate (a 'soft loan'), the fair value on recognition is taken to be the estimated present value of all future cash receipts

discounted using the prevailing market rate. The amount by which the value loaned exceeds the fair value of the loan on recognition is charged immediately to the Comprehensive Income and Expenditure account. In accordance with legislation, this amount is then reversed within the Movement in Reserves Statement and does not impact on council tax. In subsequent years, transactions are made in the Movement in Reserves Statement to ensure that the amounts credited to the general fund balance are equal to the interest received rather than the effective interest rate of the loan.

Available-for-sale financial assets are valued in the Balance Sheet at fair value, and are included in the long term investments category. Where available-for-sale assets are quoted in an active market, the quoted market price is taken as fair value. If no market price is available, then fair value is estimated using the best available information. Impairments to the value of available-for-sale assets are recognised in the Comprehensive Income and Expenditure account. Unrealised gains and losses arising as a result of changes to the fair value of available-for-sale assets are also recognised in the Comprehensive Income and Expenditure account.

## 7 Leases

### 7.1 Finance leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Rentals payable under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease. The amount of outstanding principal has been recognised on the balance sheet as a deferred liability with a corresponding entry into fixed assets.

The amount due from a lessee under a finance lease is recorded as a long-term debtor at the amount of the net investment. The lease payments under a finance lease are allocated to accounting periods to give a constant periodic rate of return to the net investment in the lease in each period.

### 7.2 Operating leases

Rentals payable under operating leases are charged to revenue on a straight-line basis over the term of the lease. In addition operating lease rentals payable are accounted for net of benefits received or receivable.

Rental income from operating leases is recognised on a straight-line basis over the period of the lease. Assets held for use in operating leases are recorded as property plant and equipment or investment property on the balance sheet.

## 8 Overheads

Support services are charged to service revenue accounts, trading undertakings, capital accounts and other support services as part of the authority's internal market for support services. The costs of service management are apportioned to the accounts representing the activities managed. All the bases of apportionment are adopted consistently for all heads to which apportionment should be made. The costs of the corporate and democratic core and of non-distributable costs are not charged or apportioned to service revenue accounts but are classified separately in the Comprehensive Income and Expenditure Account.

## 9 Reserves

Any amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves, and transfers to and from reserves are shown in the Movement in Reserves statement and not within service expenditure. Expenditure is charged to the Comprehensive Income and Expenditure Account and not directly to any reserve (other than the Major Repairs Reserve - see note a below).

The exceptions allowed by the code and by statute are:

- a The Major Repairs Reserve, which is a statutory reserve for Housing Revenue Accounts in England and Wales. Statute allows authorities to charge defined capital expenditure on assets directly to this reserve, along with sums voluntarily set aside to repay debt.
- b The Useable Capital Receipts Reserve is required under the Local Government Act 2003 and is credited with income from the disposal of fixed assets. In the year the useable receipts are used to finance capital expenditure they are applied to the Capital Adjustment Account. Any reserved element of the receipt is paid over to the government's national pool for redistribution back to local authorities.
- c Under the code, capital receipts (see b above) are allocated directly to the Capital Adjustment Account.

## 10 Pensions

The authority has accounted for its pension costs arising from the Local Government Pension Scheme, and for all unfunded discretionary benefits which it has granted, as defined benefit schemes. Pension costs relating to the national teachers' pension scheme have been treated as defined contribution schemes, in accordance with the code.

### 10.1 Defined benefit schemes

For those schemes treated as defined benefit schemes, pension fund assets are accounted for at fair value (that is, market value for investments and properties). Pension liabilities are measured on an actuarial basis using the projected unit method. This requires the use of various assumptions about future events. Details of the assumptions used can be found in explanatory note 4.

Within the Comprehensive Income and Expenditure Account, service revenue accounts and trading services have been charged with their current service cost, which represents the extent to which pensions liabilities have increased as a result of employee service during the year. Past service costs, settlements and curtailments have been charged to non-distributable costs. The interest cost and expected return on assets have been included in net operating expenditure.

As required by legislation, an appropriation to the Pensions Reserve has been made, which reverses out the IAS 19 based pension costs in the Comprehensive Income and Expenditure Account and replaces them with the actual pensions related payments made in year. This ensures that the amount to be funded from Council Tax for the year is equal to the employer's pension contributions payable and payments made directly to pensioners.

The pension costs shown within the Housing Revenue Account (HRA) reflect the current service costs relating to HRA staff. The HRA's apportioned share of the interest cost and expected return on assets has been included in net operating expenditure. The impact of these

adjustments is reversed by an appropriation to the Pensions Reserve, so that the pension cost fundable from rents equates to the actual pensions related payments for the year.

## **10.2 Defined contribution schemes**

For defined contribution schemes, the pension cost to be accounted for is equal to the pension contributions payable for the year. These costs are recognised within Net Cost of Services. No assets or liabilities are required to be recognised other than accruals relating to these contributions.

## **11 Cash and cash equivalents**

The authority's Cashflow statement reflects the movements in cash and cash equivalents during the year. Cash is represented by cash in hand and the net balances on the authority's operational bank accounts, including any overdrawn balances. The authority has defined cash equivalents as those investments that are held for treasury management purposes and which can be realised within 1 month or which have a lifetime of 3 months or less.

## **12 Inventories and long term contracts**

### **12.1 Inventories**

Inventories are valued at estimated cost less an allowance for loss in value. This is assessed annually to ensure there is no material impact on the carrying value of the assets. Work in progress is included with inventories in the Balance Sheet at cost less any foreseeable losses.

### **12.2 Long term contracts**

Long-term contracts are assessed on a contract by contract basis and are reflected in revenue by recording turnover and related costs as contract activity progresses. Turnover has been ascertained by reference to valuation of the work carried out to date or, if appropriate, separately ascertainable sales values and costs (eg because delivery or customer acceptance has taken place).

When the outcome of a long-term contract can be assessed with reasonable certainty before its conclusion, then the prudently calculated attributable profit is recognised in the revenue account as the difference between the reported turnover and related costs for the contract.

## **13 Value Added Tax (VAT)**

Value Added Tax is included within the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure or capital expenditure as appropriate.

## **14 Associated and subsidiary companies, group accounts**

The local authority group has been determined by reference to the definitions of subsidiaries, associates and joint ventures in the Code (see the preamble to this statement). These definitions are consistent with International Financial Reporting Standards. The scope and classification of the group are shown in the Group Accounts, along with any realigned accounting policies.

## **15 Intangible assets**

### **15.1 Measurement**

Intangible assets where the authority has control of the asset through either custody or legal protection are capitalised at cost. Such intangible assets held by the authority are not revalued.

The authority undertakes no research and development, nor has it acquired or is it holding any goodwill (as defined in IAS 38).

### **15.2 Basis for charging for intangible assets**

The capital cost of an intangible asset is charged to revenue over its economic life on a straight-line basis. The asset life of each intangible asset is assessed on an annual basis and does not extend beyond any granted legal rights unless the legal rights are renewable and renewal is assured. The asset lives used for the intangible assets are 5 or 10 years. None of the authority's intangible assets are deemed to have any residual value at the end of their useful life.

Assets have been reviewed for any impairment loss in respect of consumption of economic benefit. Where an impairment loss has occurred, it has been charged to the service revenue account. An amount equal to the amortised charges for the use of intangible assets and relevant impairment losses included in revenue accounts is reversed within the movement in reserves statement.

### **15.3 Disposal**

Gains or losses on disposal of intangible assets are recorded in the Comprehensive Income and Expenditure Account, and accounted for on an accruals basis.

## **16 Tangible long-term assets**

### **16.1 Recognition**

All expenditure on the acquisition, construction or enhancement of a tangible asset, as defined by the Accounting Code of Practice, has been capitalised and classified as a long-term asset, where the asset brings benefit to the authority for a period of more than one year.

### **16.2 Measurement**

Operational land and properties are valued on the basis of current value in existing use, unless they are of a specialist nature in which case they are valued on a depreciated replacement cost basis. In particular, and in accordance with Department for Communities and Local Government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. Consequently Council dwellings are included in the balance sheet at 31% of current value.

The value of infrastructure assets, such as highways, in existence at 1st April 1994 is included in the Balance Sheet at the equivalent of any net loan debt outstanding. Since the 1st April 1994 any new infrastructure assets and enhancements are included at construction cost, net of depreciation where appropriate.

The value of community assets in existence at 1st April 1994 is included in the Balance Sheet at nominal value. Since 1st April 1994 all new community assets and enhancements to existing assets have been included at historic cost, net of depreciation where appropriate.

Capital spend on tangible fixed assets is included in the carrying value of an asset until such time as it is revalued. Where material capital spend has occurred on an asset, a revaluation is carried out in the year in which work is completed. Where construction or major enhancement work to an asset spans more than one year, any financing costs incurred during the construction period are included in the capital cost of the acquisition or enhancement.

At revaluation, any gains are credited to the revaluation reserve. Any revaluation losses are firstly written down against any previous revaluation gains or where there are no previous revaluation gains, such losses are charged to the comprehensive income and expenditure account in accordance with the Accounting Code of Practice. Where revaluation losses which have been charged to the income and expenditure account are reversed by subsequent events, the reversing revaluation gains are credited to the Comprehensive Income and Expenditure account.

### 16.3 Estimation

In accordance with the Code, all valuations are subject to review as part of a five year rolling revaluation programme. In order to reflect a more accurate value of the authority's assets any asset which is not revalued in the year or not included at either cost or nominal value is uplifted based on appropriate indices. The indices used are as follows –

- the Royal Institute of Chartered Surveyors' forecast rebuild indices for assets valued at depreciated replacement cost; and
- a property rents index produced by external property management surveyors, for assets valued at open market value

New developments from the authority's capital programme are included in the register at construction cost from completion until they are subject to valuation.

The information on council houses is derived from the number of properties included in the Housing Rents system. The summary totals have been adjusted to reflect all known disposals during the year. Full valuations of the authority's housing stock are carried out on a five-yearly cycle, with an annual desktop exercise during the five years.

### 16.4 Basis of charge for use of fixed assets:

Capital charges are made to the users of fixed assets and are calculated on the basis of the opening balance sheet value of the asset and comprise –

- i A depreciation charge for all tangible fixed assets other than non-depreciable land and investment properties.

Depreciation is calculated by writing off the cost or revalued amount, less estimated residual value, over the remaining useful life of the asset. For 2010/11 all assets have been depreciated on a straight line basis with no residual value. Since 2001/02 the authority's rolling programme of condition surveys has incorporated the requirement to determine the remaining life for each asset. Individual remaining asset lives are assessed having regard to the structural condition of the building, to age and state of repair, condition of the mechanical and electrical services, compliance with current legislation and suitability for its existing use. Once completed, depreciation is calculated based on the individual remaining asset life. However, where remaining lives are not available for individual assets, a range for remaining asset lives has been determined for a variety of asset categories. The midpoint has then been used as the estimated remaining asset life. The categories and ranges of remaining asset lives used in the estimation are as follows:

- vehicles, plant and equipment between 3 and 7 years
  - schools between 20 and 60 years
  - libraries, administration offices and council houses between 40 and 60 years
  - car parks between 40 and 60 years
  - farms, golf clubs, cemeteries and markets 60 years
  - all other significant properties between 20 and 40 years
  - infrastructure assets 30 years.
- ii Assets have been reviewed for any impairment loss in respect of consumption of economic benefit. Where an impairment loss has occurred, it has been firstly written down against any previous revaluation gains or where there are no previous revaluation gains, such losses are charged to the service revenue account.
- iii The basis for charging the external cost of capital financing to the Housing Revenue Account (HRA) is the Item 8 determination contained within Part 6 of the Local Government and Housing Act 1989.
- Authorities are also required, by the Accounts and Audit Regulations 2011, to establish and maintain the Major Repairs Reserve (MRR). The main credit to the MRR is an amount equivalent to the total depreciation charges for all HRA assets. The Item 8 determination requires that where depreciation charges for HRA dwellings are greater than or less than the Major Repairs Allowance, an amount equal to the difference should be transferred between the HRA and the major repairs reserve along with any depreciation on non-Council dwellings.
- iv Repairs and maintenance expenditure is charged to the appropriate service revenue account.

## 16.5 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but are reviewed annually for any changes in value. All gains and losses on revaluation are posted to gain or loss on investment properties line in the comprehensive income and expenditure account. Rentals received in relation to investment properties are also credited to the gain or loss on investment properties line.

## 16.6 Assets held for sale

When it becomes highly probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through continuing use, it is reclassified as an asset held for sale. Assets held for sale are carried at the lower of carrying value and fair value less costs to sell.

Subsequent decreases in fair value less costs to sell are charged directly to the comprehensive income and expenditure account. Gains in fair value are only recognised to the extent that they reverse a loss previously recognised in the surplus or deficit on provision of services. No depreciation is charged on assets held for sale.

When an asset no longer meets the criteria to be classified as held for sale, it is reclassified back to long-term assets and valued at the lower of their carrying value before they were classified as

held for sale (adjusted for any depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale) and their recoverable amount.

## 17 Capital receipts

Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003. Capital receipts must be used to fund capital expenditure, to repay debt, or to fund credit arrangements subject to the de minimus level set out in the relevant regulations (currently £10k).

Capital receipts realised from the sale of non-housing land and dwellings are fully usable. Under current legislation 25% of capital receipts from sales of housing land and dwellings are usable. The remaining 75% must be paid over to central government to the national pool. For housing receipts other than right to buy sales, the Council can reduce the pooled element by the amount spent on defined capital spend including affordable housing and regeneration.

## 18 Financial instruments – financial liabilities

All of the authority's financial liabilities are valued at amortised cost, calculated using the effective interest rate method. Transaction costs are only included in the calculation of the amortised cost of a financial liability where they are considered to be material. Interest is charged to the income and expenditure account on the basis of the effective interest rate. Any accrual of interest at the balance sheet date is included within the value of the relevant financial liabilities rather than being shown as a separate creditor.

Where the repurchase or early settlement of borrowing leads to the derecognition of the debt instrument, any premium or discount arising is recognised immediately in the income and expenditure account. However, where the original debt instrument is modified or replaced with a new debt instrument from the same lender, and the terms of the new/modified debt instrument are not substantially different, the transaction is accounted for as a modification of existing debt and any premium or discount is included in the amortised cost calculation of the new debt instrument.

## 19 Exceptional items and prior year adjustments

Any material exceptional items are included within the cost of the relevant individual service or, if a degree of prominence is necessary in order to give a fair presentation of the accounts, separately identified on the face of the revenue account. Details of any such exceptional items are given in the explanatory notes.

Material prior period adjustments arising from changes in accounting policies or from the correction of fundamental errors have been accounted for by restating the comparative figures in the financial statements and notes, along with the cumulative effect on reserves. Any effect of material prior period adjustments is disclosed separately as a note to the accounts.

## 20 Post balance sheet events

Any material post balance sheet events which provide additional evidence relating to conditions existing at the balance sheet date or indicate that application of the going concern concept is not appropriate have been included in the accounts.

Any material post balance sheet events which concern conditions which did not exist at the balance sheet date have been disclosed as a separate note to the accounts.

Events after the balance sheet date are included in the accounts up to the date when the Statement of Accounts is authorised for issue. The SORP defines three ‘authorised for issue’ dates within the process of producing a local authority’s accounts – the date on which the draft accounts are certified by the responsible financial officer (on or before 30th June), the date on which the final accounts are authorised for publication (on or before 30th September), and the date on which an audit certificate is issued (if later).

## 21 Private Finance Initiatives (PFI)

In accordance with the SORP, the authority accounts for its Private Finance Initiative contracts in accordance with IFRIC 12 Service Concession Agreements (as adapted for the public sector), which sets out control tests that determine whether or not assets provided under PFI schemes are recognised on an entity’s balance sheet.

Where the authority concludes that assets provided under PFI schemes should be recognised on its balance sheet, a corresponding deferred liability to pay for those assets is recognised. Throughout the life of the scheme, an element of the unitary charge paid to the contractor is applied to write down the value of the deferred prepayment, and a further element of the unitary charge is treated as being interest payable on the outstanding deferred liability balance. A Minimum Revenue Provision (MRP) charge is made to the General Fund Reserve for an amount equal to the amount by which the deferred liability has been written down. The net charge to the General Fund Reserve is therefore equal to the unitary charge payment for the year.

Assets provided under PFI schemes which are recognised on the authority’s balance sheet are subsequently accounted for in the same way as all other tangible long-term assets.

## 22 Local Taxation

- i The authority is a Council Tax billing authority, collecting Council Tax on behalf of other authorities as well as itself. The collection of Council Tax on behalf of other authorities is treated as being on an agency basis, and thus only the elements of Council Tax collection that relate to the authority’s own income are included in its main financial statements.
- ii The authority collects National Non Domestic Rates on behalf of the government. This activity is treated as being on an agency basis and thus is not included in the authority’s accounts. The authority receives an allocation from the national NNDR pool, which is shown as a government grant.
- iii The Collection Fund account covers all local taxation collected by the authority on behalf of itself, other local authorities and the government.

# Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement summarises the Authority's financial performance for the year on the basis of International Financial Reporting standards. However, the amounts chargeable to a local authority's council tax and its General Fund reserves for the year are controlled by legislation, and include a number of statutory adjustments and transfers to specific reserves. The effect of these statutory transactions is shown in explanatory note 1.2.

	2009/10 net expenditure	£000s	2010/11			notes
			gross expenditure	gross income	net expenditure	
247,311	Adult Social Care		301,978	64,382	237,596	
(12,542)	Central Services		346,721	337,728	8,993	
269,997	Children's and Education Services		903,535	649,026	254,509	
1,124	Court Services		1,204	-	1,204	
238,254	Cultural, Environmental and Planning Services		228,027	66,735	161,292	
71,967	Highways, Roads, and Transport		92,834	18,604	74,230	
(191,180)	Housing Revenue Account		807,436	204,587	602,849	
6,665	Other Housing Services		77,442	19,116	58,326	
4,423	Exceptional item - equal pay provision		37,796	-	37,796	
18,432	Corporate and Democratic Core		16,815	-	16,815	
1,888	Non-distributable costs		(326,382)	-	(326,382)	1.9
656,339	Net cost of services		2,487,406	1,360,178	1,127,228	
32,516	(Gain) or loss on disposal of fixed assets				85,875	
-	(Gain) or loss on disposal of long term investments				-	
1,408	Parish Council precepts				1,428	
(1,811)	(Surpluses) / deficits on trading undertakings				(1,678)	3
3,772	Amounts payable into the Housing Capital Receipts Pool				3,789	1.8
692,224	Net Operating Expenditure				1,216,642	
91,023	Interest payable and similar charges				96,259	
58,200	Pension interest costs and expected return on assets				38,689	4
9,770	(Gain) or loss on investment properties				660	
(3,021)	Interest and investment income				(1,472)	
848,196	Net Expenditure after financing and investment				1,350,778	
(259,346)	Council Tax Income				(266,560)	
(242,248)	Non-Domestic Rate				(264,968)	
(240,506)	Non-Ringfenced Government Grants				(254,802)	2
106,096	(Surplus) / deficit on provision of services				564,448	
(51,302)	(Surplus) / deficit on revaluation of fixed assets				20,374	
(112)	(Surplus) / deficit on revaluation of available-for-sale assets				25	
715,885	Actuarial (gains) / losses on pension fund				(457,016)	
770,567	Total Comprehensive Income and Expenditure				127,831	

## Movement in Reserves Statement

This statement shows the movements in the year on the different reserves held by the authority, analysed between usable reserves and unusable reserves. The statement shows how the movement in the authority's reserves is broken down between gains and losses recognised on an accounting basis and the statutory adjustments required to control the amounts chargeable to council tax for the year.

### 2010/11

	Useable reserves					Unuseable reserves		Total reserves	notes
	General Fund Reserve	HRA Reserve	Earmarked GF revenue reserves	Useable capital reserves	Total useable reserves	Statutory revenue reserves	Capital accounting balances		
Balance brought forward 1st April 2010	16,076	18,131	40,760	87,047	162,014	(1,555,186)	2,231,516	838,344	
Surplus / (deficit) on provision of services	69,798	(634,246)			(564,448)			(564,448)	
Other comprehensive income and expenditure					-	457,016	(20,399)	436,617	8.1
Total comprehensive income and expenditure	69,798	(634,246)	-	-	(564,448)	457,016	(20,399)	(127,831)	
Statutory adjustments between accounting basis and funding basis	(49,611)	636,191	-	102,858	689,438	274,817	(964,255)	-	8.2
Statutory capital adjustments	-	-	-	46,614	46,614	-	(46,614)	-	8.3
Increase / (decrease) before transfers	20,187	1,945	-	149,472	171,604	731,833	(1,031,268)	(127,831)	
Transfers to/(from) earmarked revenue reserves	(15,132)	-	15,132	-	-	-	-	-	
Transfers to fund capital expenditure	-	-	-	(142,812)	(142,812)	-	142,812	-	8.4
Increase / (decrease) during year	5,055	1,945	15,132	6,660	28,792	731,833	(888,456)	(127,831)	
Balance carried forward 31st March 2011	21,131	20,076	55,892	93,707	190,806	(823,353)	1,343,060	710,513	

### 2009/10

	Useable reserves					Unuseable reserves		Total reserves	notes
	General Fund Reserve	HRA Reserve	Earmarked GF revenue reserves	Useable capital reserves	Total useable reserves	Statutory revenue reserves	Capital accounting balances		
Balance brought forward 1st April 2009	19,296	18,794	32,972	73,161	144,223	(795,532)	2,260,220	1,608,911	
Surplus / (deficit) on provision of services	(263,827)	157,731			(106,096)			(106,096)	
Other comprehensive income and expenditure					-	(715,885)	51,414	(664,471)	8.1
Total comprehensive income and expenditure	(263,827)	157,731	-	-	(106,096)	(715,885)	51,414	(770,567)	
Statutory adjustments between accounting basis and funding basis	268,395	(158,394)	-	79,057	189,058	(43,769)	(145,289)	-	8.2
Statutory capital adjustments	-	-	-	61,436	61,436	-	(61,436)	-	8.3
Increase / (decrease) before transfers	4,568	(663)	-	140,493	144,398	(759,654)	(155,311)	(770,567)	
Transfers to/(from) earmarked revenue reserves	(7,788)	-	7,788	-	-	-	-	-	
Transfers to fund capital expenditure	-	-	-	(126,607)	(126,607)	-	126,607	-	8.4
Increase / (decrease) during year	(3,220)	(663)	7,788	13,886	17,791	(759,654)	(28,704)	(770,567)	
Balance carried forward 31st March 2010	16,076	18,131	40,760	87,047	162,014	(1,555,186)	2,231,516	838,344	

# Balance Sheet

The balance sheet is the key statement of an authority's financial position at the year-end. It shows its balances and reserves, and the values of its long term and current assets and liabilities.

<i>31 March 2010</i>	<i>£000s</i>	<i>31 March 2011</i>	<i>notes</i>
<i>Long-term assets</i>			
4,211,693	Property, plant and equipment	3,482,646	10.1
46,708	Investment property	48,051	10.2
8,166	Intangible fixed assets	5,908	10.3
26,250	Long-term investments	16,225	10.4
20,730	Long-term debtors	19,453	10.5
<b>4,313,547</b>		<b>3,572,283</b>	
<i>Current assets</i>			
122,990	Debtors	102,957	11.1
1,318	Investments	10,063	11.2
2,484	Inventories	2,714	11.3
5,100	Assets held for sale	3,882	11.4
-	Landfill allowances	-	11.5
2,060	Cash and cash equivalents	2,744	11.6
<b>133,952</b>		<b>122,360</b>	
<i>Current liabilities</i>			
(173,782)	Creditors	(154,347)	12.1
(125,261)	Borrowing repayable on demand or within one year	(205,398)	12.2
(8,546)	Provisions for current liabilities	(3,940)	12.3
<b>(307,589)</b>		<b>(363,685)</b>	
<b>4,139,910</b>	Total assets less current liabilities	<b>3,330,958</b>	
<i>Long-term liabilities</i>			
(1,333,830)	Long-term borrowing	(1,298,830)	13
(1,473,096)	Net pensions liability	(740,368)	4
(488,966)	Deferred liabilities	(536,672)	14.1
(4,213)	Provisions for long term liabilities	(42,768)	14.2
(1,461)	Capital grants receipts in advance	(1,807)	
<b>(3,301,566)</b>		<b>(2,620,445)</b>	
<b>838,344</b>	Total assets less liabilities	<b>710,513</b>	
<i>Financed by</i>			
<i>Unusable capital accounting balances</i>			
271,023	Revaluation Reserve	236,024	15.1
1,951,058	Capital Adjustment Account	1,098,238	15.2
9,295	Deferred Capital Receipts	8,683	15.3
140	Available for Sale Reserve	115	15.4
<b>2,231,516</b>		<b>1,343,060</b>	
<i>Usable capital funding reserves</i>			
-	Usable Capital Receipts Reserve	-	15.5
87,047	Capital grants unapplied	93,707	15.6
-	Major Repairs Reserve	-	H9
<b>87,047</b>		<b>93,707</b>	
<i>Unusable statutory revenue reserves</i>			
(1,473,096)	Pensions Reserve	(740,368)	4.1
(70,981)	Financial Instruments Adjustment Account	(71,311)	17
(11,094)	Accumulated Absences Account	(10,939)	18
(15)	Collection Fund Adjustment Account	(735)	19.1
-	Equal Pay Back Pay Account	-	19.2
<b>(1,555,186)</b>		<b>(823,353)</b>	
<i>Usable revenue reserves</i>			
16,076	General Fund Reserve	21,131	
18,131	Housing Revenue Account Reserve	20,076	
40,760	Other earmarked reserves	55,892	9
<b>74,967</b>		<b>97,099</b>	
<b>838,344</b>	Total reserves and balances	<b>710,513</b>	

# Cash Flow Statement

This statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties. For the purposes of this statement, cash and cash equivalents are defined as cash in hand, plus deposits repayable on demand, less overdrafts repayable on demand, plus short term investments held for the purposes of cash flow management.

2009/10	£000s	2010/11	notes
Operating activities :			
	<i>Cash outflows</i>		
(832,793)	Cash paid to and on behalf of employees	(828,233)	
(840,644)	Other operating cash payments	(895,286)	
(120,334)	Housing Benefit paid out	(139,812)	
(6,664)	Payments to the Capital Receipts Pool	(4,043)	
(36,807)	Revenue expenditure funded by capital under statute	(77,756)	
(1,408)	Precepts paid	(1,428)	
(56,107)	Interest paid	(56,388)	
(31,147)	Finance lease and PFI scheme interest paid	(31,155)	
(1,925,904)		(2,034,101)	
	<i>Cash inflows</i>		
979,462	Government revenue grants	1,022,813	20
499,323	Income from local taxation	527,852	21
211,096	Cash received for goods and services	224,825	
183,513	Rents (after rebates)	186,976	
104,201	Other operating cash receipts	113,501	
16,850	Grants funding expenditure capitalised under statute	21,562	
2,733	Interest received	2,875	
1,997,178		2,100,404	
71,274	Net cash flow from operating activities	66,303	
	Capital and financial investment activities:		
	<i>Cash outflows</i>		
(203,695)	Purchase of fixed assets	(219,166)	
(2,101)	Long term loans and service investments	-	
-	Purchase of treasury investments	-	
	<i>Cash inflows</i>		
81,740	Capital grants received	101,371	
14,718	Disposal of fixed assets	12,562	
-	Disposal of service loans and investments	1,032	
15,000	Disposal of treasury investments	-	
6,305	Other capital cash receipts	6,135	
(88,033)	Net cash flow from investing activities	(98,066)	
(16,759)	Net cash inflow / (outflow) before financing	(31,763)	
	Financing:		
	<i>Cash outflows</i>		
(819,542)	Short term loans repaid	(608,901)	
(108,372)	Loans repaid	(357)	
(7,178)	Finance lease and PFI scheme principal repayments	(11,976)	
	<i>Cash inflows</i>		
831,775	New short term loans raised	633,681	
120,000	New loans raised	20,000	
16,683		32,447	
(76)	Increase / (decrease) in cash and cash equivalents	684	
2,136	Balance of cash and cash equivalents brought forward	2,060	
(76)	Increase / (decrease) for the year	684	
2,060	Balance of cash and cash equivalents carried forward	2,744	11.6

# Explanatory notes to the main financial statements

These notes provide information that supports, and helps in interpreting, the main financial statements.

## 1 Additional information on reported income and expenditure

### 1.1 Leeds City Council outturn position and organisational structure

The Comprehensive Income and Expenditure Account included in local authorities' Statement of Accounts shows its income and expenditure on the basis of IFRS (International Financial Reporting Standards), and is therefore comparable to other types of organisations both within the public sector and beyond. Further, within this statement the net cost of services is required to be broken down by national standard definitions of services, to assist readers in making comparisons between different authorities. However, neither this accounting basis for reporting overall results nor this breakdown of services reflects how the council manages its finances in practice.

In governance terms, the council is accountable to council tax payers for the outturn position on the General Fund reserve and to its domestic tenants for the outturn position on the HRA reserve. The amounts chargeable to a local authority's council tax payers and to HRA tenants for the year show significant differences from the net expenditure position on an accounting basis. They are controlled by legislation, and include a number of statutory adjustments and transfers to specific reserves. These are designed to ensure that the amounts chargeable to council tax payers and tenants for the year are a fair reflection of the services provided to them during that year. All of the council's internal reporting of its financial position is therefore focussed on the outturn position on the General Fund and HRA reserves.

In practice, local authorities organise service delivery in response to the needs and conditions in their area, and the council's internal directorate structure does not align with the standard service definitions. All internal reporting of the council's financial position is broken down on the basis of its directorate structure, which reflects management responsibilities.

The table below reflects the actual reporting within the council of the outturn positions for the General Fund and the Housing Revenue Account, in terms of the council's organisational structure.

Outturn position – Leeds City Council organisational units

2009/10		2010/11			
net outturn	£000s	gross expenditure	gross income	transfer to reserves	net outturn
77,832	City Development	169,475	(99,640)	2,316	72,151
68,420	Environment & Neighbourhood	156,840	(57,007)	(206)	99,627
165,372	Children's Services	231,983	(69,253)	2,124	164,854
(16,059)	Schools	684,172	(716,246)	15,466	(16,608)
185,360	Adult Social Care	264,890	(80,503)	548	184,935
73,332	Central and Corporate Function	541,622	(481,955)	4,874	64,541
6,470	Central Account	102,326	(91,938)	(14,940)	(4,552)
560,727		2,151,308	(1,596,542)	10,182	564,948
(557,507)	RSG & Local Taxation	-	(570,004)	-	(570,004)
3,220	Total General Fund	2,151,308	(2,166,546)	10,182	(5,055)
663	Housing Revenue Account	222,114	(224,059)	-	(1,945)

## 1.2 Reconciliation between reported outturn position and total comprehensive income and expenditure

The following table analyses the differences between the authority's reported outturn position on its General Fund and HRA reserves and its total comprehensive income and expenditure shown in the Comprehensive Income and Expenditure Account.

2009/10	£000s	2010/11
3,220	General fund outturn (surplus) / deficit	(5,055)
663	HRA outturn (surplus) /deficit	(1,945)
<u>3,883</u>	<u>Overall outturn position</u>	<u>(7,000)</u>
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Transfers to other usable revenue reserves</i>		
(7,788)	Transfers (to) / from earmarked reserves	(15,132)
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Statutory items relating to capital accounting and financing</i>		
192,245	Transfer impact of capital charges to capital reserves	947,747
(91,388)	Transfer capital grants received to usable capital reserves	(102,364)
(25,418)	General Fund Minimum Revenue Provision for debt redemption	(30,091)
(3,998)	HRA transfers to capital reserves for repayment of debt	(1,416)
(4,602)	Transfers to capital reserves to fund capital expenditure	(4,840)
32,516	Transfer net (gain) / loss on disposal of assets to capital reserves	85,875
3,772	Transfer fro capital reserves to fund pooling of HRA capital receipts	3,789
(36,895)	Transfer HRA Major repairs allowance to Major repairs reserve	(37,303)
<u>66,232</u>		<u>861,397</u>
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Other statutory items</i>		
42,444	Transfer to / (from) Pensions reserve	(275,712)
297	Transfer to / (from) Financial instruments adjustment account	330
708	Transfer to / (from) Council Tax adjustment account	720
(192)	Transfer to / (from) Equal pay back pay account	-
512	Transfer to / (from) Accumulated absences account	(155)
<u>43,769</u>		<u>(274,817)</u>
<i>Unrealised items of income and expenditure not affecting usable reserves and not reported within Outturn</i>		
(51,302)	(Surplus) / deficit on revaluation of fixed assets	20,374
(112)	(Surplus) / deficit on revaluation of available-for-sale assets	25
715,885	Actuarial (gains) / losses on pension fund	(457,016)
<u>664,471</u>		<u>(436,617)</u>
<u>770,567</u>	<u>Total comprehensive income and expenditure</u>	<u>127,831</u>

### 1.3 Subjective analysis for individual organisational units

The following tables give a breakdown of the reported outturn position by organisational unit, followed by an analysis of the outturn for each organisational unit by type of expenditure (a subjective analysis) :

#### a Overall summary

	<i>2009/10</i>		<i>2010/11</i>		
	<i>net outturn</i>	<i>£000s</i>	<i>gross expenditure</i>	<i>gross income</i>	<i>transfer to reserves</i>
77,832	City Development		169,475	(99,640)	2,316
68,420	Environment & Neighbourhood		156,840	(57,007)	(206)
165,372	Children's Services		231,983	(69,253)	2,124
(16,059)	Schools		684,172	(716,246)	15,466
185,360	Adult Social Care		264,890	(80,503)	548
73,332	Central and Corporate Function		541,622	(481,955)	4,874
6,470	Central Account		102,326	(91,938)	(14,940)
560,727			2,151,308	(1,596,542)	10,182
(557,507)	RSG & Local Taxation		-	(570,004)	-
3,220	Total General Fund		2,151,308	(2,166,546)	10,182
663	Housing Revenue Account		222,114	(224,059)	-
					(1,945)

#### b City Development

<i>2009/10</i>	<i>£000s</i>	<i>2010/11</i>
<i>Expenditure</i>		
87,621	Employee Expenses	83,033
82,817	Other Running Expenses	84,219
2,731	Agency Payments	2,068
137	Transfer Payments	155
173,306	Total Expenditure	169,475
<i>Income</i>		
(12,556)	Government grants and contributions	(13,097)
(85,574)	Fees, charges and other service income	(86,543)
-	Interest and investment income	
(98,130)	Total Income	(99,640)
<i>Transfers to Reserves</i>		
2,657	Transfer to the Capital reserve	2,776
-	Transfer to other earmarked reserves	(460)
2,657	Total transfers to reserves	2,316
77,832	Outturn position	72,151

c Environment & Neighbourhood

	£000s	2010/11
<i>Expenditure</i>		
51,826	Employee Expenses	51,072
63,560	Other Running Expenses	62,470
44,494	Agency Payments	43,298
-	Transfer Payments	-
159,880	Total Expenditure	156,840
<i>Income</i>		
(42,530)	Government grants and contributions	(12,392)
(50,780)	Fees, charges and other service income	(44,599)
(18)	Interest and investment income	(16)
(93,328)	Total Income	(57,007)
<i>Transfers to Reserves</i>		
1,014	Transfer to the Capital reserve	1,233
854	Transfer to other earmarked reserves	(1,439)
1,868	Total transfers to reserves	(206)
68,420	Outturn position	99,627

d Children's Services

	£000s	2010/11
<i>Expenditure</i>		
69,446	Employee Expenses	72,505
122,209	Other Running Expenses	85,842
36,579	Agency Payments	71,933
1,333	Transfer Payments	1,704
229,567	Total Expenditure	231,984
<i>Income</i>		
(44,791)	Government grants and contributions	(46,699)
(23,329)	Fees, charges and other service income	(22,555)
-	Interest and investment income	-
(68,120)	Total Income	(69,254)
<i>Transfers to Reserves</i>		
838	Transfer to the Capital reserve	1,083
3,086	Transfer to other earmarked reserves	1,041
3,924	Total transfers to reserves	2,124
165,372	Outturn position	164,854

e Schools

	£000s	2010/11
<i>Expenditure</i>		
397,310	Employee Expenses	400,347
282,361	Other Running Expenses	314,974
646	Agency Payments	993
(33,349)	Transfer Payments	(32,143)
646,969	Total Expenditure	684,172
<i>Income</i>		
(493,797)	Government grants and contributions	(516,388)
(170,589)	Fees, charges and other service income	(199,858)
-	Interest and investment income	-
(664,386)	Total Income	(716,246)
<i>Transfers to Reserves</i>		
-	Transfer to the Capital reserve	-
1,359	Transfer to other earmarked reserves	15,466
1,359	Total transfers to reserves	15,466
(16,059)	Outturn position	(16,608)

f Adult Social Care

	£000s	2010/11
<i>Expenditure</i>		
89,772	Employee Expenses	87,502
25,226	Other Running Expenses	26,261
136,226	Agency Payments	143,522
6,900	Transfer Payments	7,604
258,125	Total Expenditure	264,890
<i>Income</i>		
(9,803)	Government grants and contributions	(9,979)
(65,264)	Fees, charges and other service income	(70,524)
-	Interest and investment income	-
(75,067)	Total Income	(80,503)
<i>Transfers to Reserves</i>		
399	Transfer to the Capital reserve	443
1,905	Transfer to other earmarked reserves	105
2,304	Total transfers to reserves	548
185,360	Outturn position	184,935

**g Central and Corporate Functions**

	2009/10	£000s	2010/11
<i>Expenditure</i>			
130,194		Employee Expenses	128,312
111,377		Other Running Expenses	110,680
1		Agency Payments	1
276,087		Transfer Payments	302,630
517,659		Total Expenditure	541,622
<i>Income</i>			
(280,186)		Government grants and contributions	(306,619)
(168,241)		Fees, charges and other service income	(175,336)
-		Interest and investment income	-
(448,427)		Total Income	(481,955)
<i>Transfers to Reserves</i>			
4,038		Transfer to the Capital reserve	4,536
62		Transfer to other earmarked reserves	338
4,100		Total transfers to reserves	4,874
73,332		Outturn position	64,541

**h Central accounts**

	2009/10	£000s	2010/11
<i>Expenditure</i>			
1,295		Employee Expenses	1,333
65,557		Other Running Expenses	65,425
35,975		Agency Payments	36,280
(702)		Transfer Payments	(713)
102,125		Total Expenditure	102,325
<i>Income</i>			
(53,308)		Government grants and contributions	(69,462)
(20,842)		Fees, charges and other service income	(20,871)
(2,806)		Interest and investment income	(1,604)
(76,957)		Total Income	(91,937)
<i>Transfers to Reserves</i>			
39		Transfer to the Capital reserve	(32)
(18,737)		Transfer to other earmarked reserves	(14,908)
(18,698)		Total transfers to reserves	(14,940)
6,470		Outturn position	(4,552)

i Revenue Support Grant and Local Taxation

2009/10	£000s	2010/11
<i>Expenditure</i>		
- Employee Expenses	-	-
- Other Running Expenses	-	-
- Support Service Recharges	-	-
- Agency Payments	-	-
- Transfer Payments	-	-
- Total Expenditure	<hr/>	<hr/>
<i>Income</i>		
(55,913) Government grants and contributions	(38,476)	-
- Fees, charges and other service income	-	-
- Interest and investment income	-	-
(501,594) Local Taxation	<hr/>	<hr/>
(557,507) Total Income	<hr/>	(570,004)
<i>Transfers to Reserves</i>		
- Transfer to the Capital reserve	-	-
- Transfer to other earmarked reserves	-	-
- Total transfers to reserves	<hr/>	<hr/>
(557,507) Outturn position	<hr/>	(570,004)

j Housing Revenue Account

2009/10	£000s	2010/11
<i>Expenditure</i>		
5,325 Employee Expenses	4,129	-
125,977 Other Running Expenses	110,234	-
146 Agency Payments	101	-
90,611 Transfer Payments	<hr/>	<hr/>
222,060 Total Expenditure	<hr/>	222,115
<i>Income</i>		
(28,166) Government grants and contributions	(25,739)	-
(193,135) Fees, charges and other service income	(198,305)	-
(96) Interest and investment income	<hr/>	<hr/>
(221,397) Total Income	<hr/>	(224,060)
<i>Transfers to Reserves</i>		
- Transfer to the Capital reserve	-	-
- Transfer to other earmarked reserves	-	-
- Total transfers to reserves	<hr/>	<hr/>
663 Outturn position	<hr/>	(1,945)

**1.4 Reconciliation between reported outturn position shown in segmental analysis and net cost of services**

The following table explains the differences between the authority's reported outturn position on its General Fund and HRA reserves and its net cost of services within the comprehensive income and expenditure account.

	2009/10 £000		2010/11
3,883	Net reported Outturn position per segmental analysis		(7,000)
	<i>Amounts included in Outturn reporting but not included in the Comprehensive Income and Expenditure Account</i>		
(7,788)	Transfers to other usable revenue reserves	(15,132)	i
66,232	Statutory items relating to capital accounting and financing	861,397	i
43,769	Other statutory items	(274,817)	i
<b>102,213</b>			<b>571,448</b>
	<i>Amounts included below Net cost of services in the Comprehensive Income and Expenditure Account</i>		
(35,885)	Other operating expenditure	(89,414)	ii
(155,972)	Financing and investment income and expenditure	(134,136)	ii
742,100	Local taxation and general government grant income	786,330	ii
<b>550,243</b>			<b>562,780</b>
<b>656,339</b>	Net Cost of Services in Comprehensive Income and Expenditure Statement		<b>1,127,228</b>

- i A more detailed breakdown of these items can be seen in note 1.2 above.
- ii A more detailed breakdown of these items is shown on the face of the Comprehensive Income and Expenditure Account.

## 1.5 Subjective analysis of group comprehensive income and expenditure

The following table gives a breakdown by type of income and expenditure of the authority and its subsidiaries and associates overall results for the year. Please see page 99 for the authority's group accounts.

2009/10	£000s	2010/11
<i>Income</i>		
(370,804)	Fees, charges and other service income	(283,991)
-	Surplus or deficit on associates and joint ventures	-
(3,600)	Interest and investment income	(2,029)
(90,571)	Expected return on pension assets	(136,209)
(259,346)	Income from council tax	(266,560)
(242,248)	Distribution from non-domestic rate pool	(264,968)
(240,506)	Revenue Support Grant	(254,802)
(926,147)	General Government Grants	(954,901)
(2,133,222)	Total Income	(2,163,459)
<i>Expenditure</i>		
809,867	Employee expenses	492,638
909,295	Other service expenses	889,310
53,567	Support service recharges	53,054
155,839	Depreciation, amortisation and impairment	875,489
107,012	Interest payments	111,377
1,408	Precepts and levies	1,428
3,772	Payments to Housing Capital Receipts Pool	3,789
32,516	Gain or loss on disposal of non-current assets	85,955
9,770	Gain or loss on investment properties	695
(1,811)	(Surplus)/deficit on trading activities	(1,678)
151,980	Pension interest costs	176,319
76	Other taxation	148
2,233,291	Total Expenditure	2,688,524
100,069	Group (Surplus)/ deficit	525,065

- i The figure for employee expenses for 2010/11 includes a past service cost gain across the group of £350m for the effect on pension liabilities of the government's decision to move to CPI for future public sector pension increases.

## 1.6 Reconciliation between reported outturn and group comprehensive income and expenditure

The following table explains the differences between the authority's reported outturn position on its General Fund and HRA reserves and its group total comprehensive income and expenditure.

	£000s	
3,220	General fund outturn (surplus) / deficit	(5,055)
663	HRA outturn (surplus) /deficit	(1,945)
<u>3,883</u>	<u>Overall outturn position</u>	<u>(7,000)</u>
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Transfers to other usable revenue reserves</i>		
(7,788)	Transfers (to) / from earmarked reserves	(15,132)
66,232	Amounts not included in the Comprehensive Income and Expenditure Account - Statutory items relating to capital accounting and financing	861,397
43,769	Amounts not included in the Comprehensive Income and Expenditure Account - Other statutory items	(274,817)
<i>Unrealised items of income and expenditure not affecting usable reserves and not reported within Outturn</i>		
(51,302)	(Surplus) / deficit on revaluation of fixed assets	20,374
(112)	(Surplus) / deficit on revaluation of available-for-sale assets	25
<u>715,885</u>	<u>Actuarial (gains) / losses on pension fund</u>	<u>(457,016)</u>
664,471		(436,617)
59,278	Surplus/deficit arising from group entities	(72,755)
<u>829,845</u>	<u>Total comprehensive income and expenditure (Group)</u>	<u>55,076</u>

## 1.7 Housing Revenue Account (HRA)

The HRA Income and Expenditure account and other movements on the HRA reserve have been consolidated into the authority's Comprehensive Income and Expenditure account on a line by line basis. The components making up the net increase on the HRA reserve of £1.9m (a net decrease of £0.7m in 2009/10) are shown as a separate column in the Movement in Reserves Statement.

There is a section reporting in detail on the Housing Revenue Account later in this Statement of Accounts.

## 1.8 Pooled capital receipts for housing

Local authorities are required by statute to pay a proportion of specified housing related capital receipts to the government for redistribution. This payment of £3,789k (£3,772k in 2009/10) appears as expenditure within the net operating expenditure of the authority. The actual money received from the sale of housing assets is initially credited to the Useable Capital Receipts Reserve (note 15.5) and the required amount is appropriated to revenue to fund the payment to the national pool.

## 1.9 Non distributable costs

The most significant item within the figure for Non-distributable costs is past service costs on defined benefit pension schemes. For 2010/11 the past service cost figure was negative

expenditure of £326.2m, in comparison to £6.9m expenditure in 2009/10. The unusual past service cost figure for 2010/11 relates to the government's change to the use of CPI for future public sector pension increases. Please see note 4 for further details.

## 2 General Government grants

The table below analyses the grants included within the General Government Grants figure in the comprehensive Income and Expenditure Account. These are grants which do not relate to any specific service.

### General Government Grants

	2009/10 £000s	2010/11
(55,914)	Revenue Support Grant (RSG)	(38,476)
(51,831)	Area Based Grant (ABG)	(69,462)
(41,373)	Private Finance Initiative (PFI) grant	(44,500)
(91,388)	Capital Grants	(102,364)
<hr/>	<hr/>	<hr/>
(240,506)		(254,802)

## 3 Trading services

Trading services are disclosed in line with the requirements of the Best Value Accounting Code of Practice (BVACoP) and are mainly activities of a commercial nature which are financed substantially by charges made to recipients of the service. In the table below, trading accounts have been classified into two types: trading operations identified below the Net Cost of General Fund Services in the Income and Expenditure account and those that under the BVACoP should be included in individual service accounts.

### Trading services

2009/10			2010/11			notes
turnover	(surplus) / deficit	£000s	turnover	(surplus) / deficit	£000s	
(Surplus) / deficit from trading operations:						
23,391	(1,268)	Property maintenance	23,563	(1,293)	a	
12,589	(342)	Catering service for schools	12,658	(221)	a	
3,279	(124)	Cleaning service for schools	3,022	(12)	a	
1,489	(77)	Contracts with other public bodies	1,918	(152)	b	
<hr/>	<hr/>		<hr/>	<hr/>	<hr/>	
40,748	(1,811)		41,161	(1,678)		
Significant trading services included in Net Cost of Services:						
8,344	(4,444)	Car parks	8,257	(4,107)	c	
4,630	(1,634)	Markets	4,160	(1,465)	d	
1,306	470	Building Control charges	1,238	27	e	
983	(344)	Industrial units	913	(16)	f	
739	144	Golf courses	693	80	g	
<hr/>	<hr/>		<hr/>	<hr/>	<hr/>	
16,002	(5,808)		15,261	(5,481)		

- a These services are provided in a free internal market and therefore are in direct competition with external suppliers.
- b These figures relate to contracts under the Local Authority (Goods and Services) Act 1970.
- c The council operates a number of pay and display car parks throughout the city. Income and expenditure for these car parks is included in the figures for Highways, Roads and Transport Services in the Income and Expenditure Account.
- d The council operates various retail and wholesale market facilities throughout the city. Income and expenditure for markets are included in the Income and Expenditure Account within the figures for Cultural, Environmental and Planning Services.
- e These figures relate to chargeable work carried out under the Local Authority Building Control Regulations. The Building Control Unit is included within the Cultural, Environmental and Planning Services figures in the Income and Expenditure Account.
- f The Property Services division is responsible for the management of the council's extensive non-residential property portfolio, including industrial units, with a view to maximising economic prosperity and employment potential. Income and expenditure for Property Services are included in the Income and Expenditure Account within the figures for Cultural, Environmental and Planning Services.
- g The council is currently responsible for the operation of five golf courses. Income and expenditure for golf courses are included in the Income and Expenditure Account within the figures for Cultural, Environmental and Planning Services.

## 4 Pensions

The authority is required to account for its pension costs under IAS 19 – Employee Benefits. This means that IAS 19 based pensions assets and liabilities are included in the accounts, rather than the actual payments made in relation to pensions during the year. The objective of IAS 19 is to ensure that the authority's financial statements reflect at fair value the future pension liabilities which have been incurred, and the extent to which assets have already been set aside to fund them. This note explains the accounting requirements and actuarial assumptions used in implementing IAS 19 – Employee Benefits in the accounts.

### 4.1 Summary of IAS 19 impact

In order to show the impact of IAS 19 on the accounts, the following table summarises the transactions made in the Comprehensive Income and Expenditure Statement and the Balance Sheet to convert from actual pensions payments made to IAS 19 based pensions accounting.

## Pensions reserve transactions

2009/10				2010/11		
WYPF	Teachers	Total		WYPF	Teachers	Total
639,678	75,089	714,767	1 April			1,382,977
(10,043)	(5,713)	(15,756)	<i>In Surplus/(Deficit) on the provision of services; transferred to reserve as a Statutory adjustment</i>	(301,898)	(12,503)	(314,401)
53,068	5,132	58,200	Service expenditure less actual contributions Interest cost and expected return on assets	34,205	4,484	38,689
700,274	15,611	715,885	<i>In Other Comprehensive Income and Expenditure</i>	(465,430)	8,414	(457,016)
1,382,977	90,119	1,473,096	Actuarial gains and losses			649,854
			31 March			90,514
						740,368

The net pensions liabilities and the corresponding pensions reserve in the Balance Sheet represent a significant decrease in the overall level of reserves. However, this does not represent a decrease in the cash reserves held by the authority, and does not impact on council tax levels. Under the Local Authorities (Capital Finance) (Amendment No2) (England) Regulations, local authorities are not required to fund expenditure relating to an IAS 19 based pensions reserve from council tax.

Further details of the transactions within the Income and Expenditure Account and the balances that comprise the pension liability are shown below.

### 4.2 West Yorkshire Pension Fund (WYPF)

The West Yorkshire Pension Fund is treated as a defined benefit scheme under IAS 19, since the authority's liabilities to its current and former employees can be identified within the fund, and the authority will be liable to meet these irrespective of the future performance of the fund. The figures relating to West Yorkshire Pension Fund assets and liabilities given below include both mainstream pensions and discretionary increases to pensions.

The last full actuarial valuation to be completed for the WYPF was carried out as at 31st March 2010. An interim actuarial review was carried out in order to calculate the figures required under IAS 19. In calculating the authority's assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future, meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values. The following actuarial assumptions were made:

#### WYPF – actuarial assumptions

31/03/2010		31/03/2011	
<b>Financial assumptions</b>			
3.9%	Rate of inflation (RPI)	3.7%	(i)
-	Rate of inflation (CPI)	2.8%	(i)
5.65%	Rate of increase in salaries	5.2%	
3.9%	Rate of increase in pensions	2.8%	
5.5%	Discount rate	5.4%	
<b>Expected rate of return on assets</b>			
8.0%	Equities	8.4%	
4.5%	Government bonds	4.4%	
5.5%	Other bonds	5.1%	
8.5%	Property	7.9%	
0.7%	Cash / liquidity	1.5%	
8.0%	Other	8.4%	
<b>Mortality assumptions (years)</b>			
21.8	Longevity at 65 for current male pensioners	21.9	
25.4	Longevity at 65 for current female pensioners	24.0	
24.1	Longevity at 65 for future male pensioners	23.7	
27.9	Longevity at 65 for future female pensioners	26.0	

- i Following an announcement by the Government in June 2010, the inflation index used to derive statutory pension increases has been changed from RPI (Retail Prices Index) to CPI (Consumer Prices Index). The authority has accounted for this change as a change in its constructive obligation to provide pensions benefits. The impact on the pensions due in respect of previous years worked has therefore been treated as a negative past service cost.

Assumptions on the future rate of increase in salaries continues to be based on RPI.

#### a WYPF – assets and liabilities

At 31st March 2011, the fund's actuaries estimated that the authority had the following assets and liabilities relating to pensions payable through the West Yorkshire Pension Fund:

#### WYPF – assets and liabilities

31/03/2010	£000s	31/03/2011
(3,019,308)	Estimated present value of liabilities (funded)	(2,543,611)
(81,197)	Estimated present value of liabilities (unfunded)	(66,910)
<hr/>		
(3,100,505)		(2,610,521)
1,717,528	Fair value of assets	1,960,667
<hr/>		
(1,382,977)	Net asset / (liability)	(649,854)
<hr/>		

The £650m net liability relating to the WYPF represents the difference between the value of the authority's pension fund assets at 31st March 2011 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2011 would also have an impact on the capital value of the pension fund assets. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in their full actuarial review of the Pension Fund, carried out as at 31st March 2010. This concluded that the Pension fund was 93% funded, and set contribution rates for the next three years which are designed to move the fund towards a fully funded position.

The following table shows the movements in the pension fund assets and liabilities during the year. Amounts relating to service expenditure shown below appear within the Net Cost of Service in the Comprehensive Income and Expenditure Account, finance gains and losses appear within Net Operating Expenditure and actuarial gains and losses are shown within Other comprehensive income and expenditure.

## WYPF – movement in pension assets and liabilities

£000s	liabilities	assets	net
1 April 2010	(3,100,505)	1,717,528	(1,382,977)
<i>Actuarial gains and losses</i>			
Change in assumptions	183,434		
Asset gain / (loss)		117,157	
Liability gain / (loss)	164,839		-
	348,273	117,157	465,430
<i>Service expenditure</i>			
Current service cost	(78,348)		
Curtailment cost		-	
Past Service Cost	320,008		
Employer contributions		60,238	
	241,660	60,238	301,898
<i>Finance gains and losses</i>			
Expected return on assets		123,312	
Interest on pension liabilities	(157,517)		
	(157,517)	123,312	(34,205)
<i>Other movements</i>			
Benefits paid plus Transfer in/out	80,900	(80,900)	
Employee contributions	(23,332)	23,332	
	57,568	(57,568)	-
31 March 2011	(2,610,521)	1,960,667	(649,854)

The council's net pensions liability has reduced by £733.1m since 31st March 2010, with the estimated value of its liabilities falling significantly and the estimated value of its assets rising. The fall in the value of liabilities has happened as a result of two factors. Firstly, the government's decision in May 2010 to move to the use of CPI for future pension increases has reduced the estimated future costs of benefits to be paid out to pensioners. Secondly following the triennial revaluation of the fund as at 31<sup>st</sup> March 2010, the actuaries have advised that on the basis of recent research into mortality rates, the expected longevity of female scheme members in particular should be reduced.

The following table shows the authority's assets and liabilities over a 5 year period.

## WYPF – history

£000s	assets	liabilities (funded)	net
31 March 2011	1,960,667	(2,610,521)	(649,854)
31 March 2010	1,717,528	(3,100,505)	(1,382,977)
31 March 2009	1,270,138	(1,909,816)	(639,678)
31 March 2008	1,577,044	(2,261,034)	(683,990)
31 March 2007	1,633,551	(1,968,653)	(335,102)

### b WYPF – further information on assets

The following table shows the percentage of the total value of scheme assets made up by different categories of asset

31/03/2010	31/03/2011
71.6% Equities	73.1%
12.2% Government bonds	11.4%
3.4% Other bonds	3.9%
3.4% Property	3.6%
3.4% Cash/liquidity	2.3%
6.0% Other	5.7%

The expected rate of return on assets is based on market expectations at the beginning of the period, for investment returns over the entire life of the related liability. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return used by the actuary is derived by aggregating the assumed rate of return for each category of asset as shown in the table of actuarial assumptions above (page 42), weighted by the proportion of the assets in the particular category.

The actual return on assets for 2010/11 was a gain of £240.5m, in comparison to the expected gain of £123.3m.

c Expected contributions to the scheme for 2011/12

The authority expects to make contributions of approximately £53,502k to WYPF in 2011/12.

#### 4.3 Teachers' pensions

Under the Accounting Code of Practice guidance on IAS 19, the Teachers' Pension scheme is classed as a multi-employer defined benefit scheme for which the liabilities of individual employers cannot be separated, meaning that it should be treated in the same way as a defined contribution scheme under IAS 19. The employers contribution rate for the teachers pension scheme during 2010/11 was 14.1% of pensionable pay. The actual amount payable to the teachers pension scheme by the council for 2010/11 was £28,044k. However, the authority has granted discretionary additional pensions to some of its former teachers, for which it is directly responsible. Under IAS 19 guidelines, these discretionary pensions are required to be treated as a defined benefit scheme, with an IAS 19 liability being disclosed. As the authority funds these pensions on a 'pay as you go' basis, there are no pensions assets for this scheme.

In calculating the pension liability for discretionary teachers pensions, the authority's actuaries have used the following assumptions:

##### Teachers' discretionary pensions – actuarial assumptions

	31/03/2010	31/03/2011
		Financial assumptions
3.8%	Rate of inflation	2.7%
3.8%	Rate of increase in pensions	2.7%
5.5%	Discount rate	5.5%
		Mortality assumptions (years)
21.8	Longevity at 65 for current male pensioners	21.9
25.4	Longevity at 65 for current female pensioners	24.0

The authority's IAS 19 pensions liability in respect of teachers discretionary pensions has been calculated as:

##### Teachers' discretionary pensions – assets and liabilities

31/03/2010	£000s	31/03/2011
(90,119)	Estimated present value of liabilities	(90,514)

The movement in the pension liability during the year is broken down in the following table. Amounts relating to service expenditure shown below appear within the Net Cost of Service in the Comprehensive Income and Expenditure Account, finance gains and losses appear within Net Operating Expenditure, and actuarial gains and losses are shown under Other Comprehensive Gains and Losses.

## Teachers' discretionary pensions – movement in pension liability

£000s	<i>liability</i>
1 April 2010	(90,119)
<i>Service expenditure</i>	
Employer contributions	6,283
Past service cost / curtailment cost / settlements	6,220
	<u>12,503</u>
<i>Finance gains and losses</i>	
Interest on pension liabilities	(4,484)
	<u>(4,484)</u>
<i>Actuarial gains and losses</i>	
Change in assumptions	4,900
Liability gain / (loss)	<u>(13,314)</u>
	<u>(8,414)</u>
31 March 2011	(90,514)

The following table shows the authority's teachers pension liabilities over a 5 year period

£000s	<i>liability</i>
31 March 2011	(90,514)
31 March 2010	(90,119)
31 March 2009	(75,089)
31 March 2008	(87,024)
31 March 2007	(78,288)

### 4.4 Actuarial gains and losses on pensions assets and liabilities

Actuarial gains and losses represent the extent to which actual outcomes have differed from the assumptions which were used in calculating IAS 19 figures. They are recognised as other comprehensive income and expenditure within the Comprehensive Income and Expenditure Account.

The actuarial gains and losses identified as movements on the WYPF Pensions reserve can be analysed into the following categories, measured as absolute amounts and as percentages of the assets or liabilities at 31st March for each year.

#### Experience gains and losses on the West Yorkshire Pension Fund assets and liabilities

£000s	<i>Differences between expected and actual returns on assets</i>	<i>Differences between expected and actual gains and losses on liabilities</i>	<i>Total differences</i>
2006/07	17,871	1.1%	17,871
2007/08	(171,204)	-10.9%	(234,513)
2008/09	(419,792)	-33.1%	(419,792)
2009/10	368,112	21.4%	390,146
2010/11	117,157	6.0%	281,996

The following table shows the history of experience gains and losses on the Teachers' Discretionary Pensions liabilities, measured as absolute amounts and as percentages of the liabilities at 31st March for each year:

## Experience gains and losses on Teachers' Discretionary Pensions

£000s	<i>Differences between expected and actual returns on assets</i>	<i>Differences between expected and actual gains and losses on liabilities</i>	<i>Total differences</i>
2006/07	n/a	-	-
2007/08	n/a	188	-0.2%
2008/09	n/a	-	-
2009/10	n/a	2,380	-2.6%
2010/11	n/a	(13,314)	14.7%
			(13,314)

## 5 Leasing

The Code requires the authority to disclose its obligations under operating and finance leases. A finance lease is one which transfers substantially all of the risks and rewards of ownership of the asset to the lessee. If the terms of a lease mean that the risks and rewards of ownership remain with the lessor, then the lease is accounted for as an operating lease.

### 5.1 Operating leases

#### a Where the authority is the lessee:

The authority has entered into a number of agreements to lease land and buildings. These are mainly administrative buildings. The amount paid under these arrangements in 2010/11 was £2.4m (£2.3m 2009/10).

At 31st March 2011 the authority was committed to make payments of £10.7m under operating leases as follows:

#### Operating lease payment commitments

31/03/2010	£000s	31/03/2011
Minimum lease payments:		
2,416	Payable within 1 year	2,237
7,088	Payable in 2 to 5 years	6,174
3,563	Payable after 5 years	2,246
<hr/> 13,067		<hr/> 10,657

#### b Where the authority is the lessor:

The authority has granted a number of leases on land and buildings generating rentals in 2010/11 of £4,590k. The leases are for a variety of purposes: land and buildings for community use such as sports facilities and community centres; provision of affordable accommodation for local businesses; provision of shops on housing estates; and a number of investment properties.

The following table shows the value of lease payments receivable in future years.

#### Operating lease payments receivable

31/03/2010	£000s	31/03/2011
4,126	Receivable within 1 year	4,121
10,391	Receivable in 2 to 5 years	8,664
27,641	Receivable after 5 years	26,972
<hr/> 42,158		<hr/> 39,757

## 5.2 Finance leases

### a Where the authority is the lessee:

The authority has acquired new heating systems for its council houses, with rentals payable under these arrangements in 2010/11 of £2,414k (£2,423k in 2009/10). It has also acquired wheeled bins for refuse collection, with rentals payable in 2010/11 of £348k (£348k in 2009/10). Financing costs of £559k have been included as interest payable within the Comprehensive Income and Expenditure Account and the principal element of £2,203k used to write down the deferred liability on the balance sheet. The acquired assets have been classified on the balance sheet as plant and equipment. The authority is not committed to any further acquisitions under this contract.

The authority has also acquired a number of properties, mainly for administrative purposes, with rentals payable in 2010/11 of £203k (£203k in 2010/11). Financing costs of £168k have been included in the comprehensive income and expenditure account and the principal element of £35k used to write down the deferred liability on the balance sheet. The acquired assets have been classified on the balance sheet as other operational land and buildings.

The authority has also acquired a number of pieces of land under finance leases. These are mainly parks and other areas of greenspace which have been classified on the balance sheet as community assets. There are no annual rentals payable under these agreements.

All assets acquired under a finance lease are carried in the balance sheet as property, plant and equipment. Details of the carrying values of these assets are given in note 10.1b.

At 31 March 2010 the authority was committed to making minimum payments under these agreements of £17.2m made up of the following amounts:

#### Breakdown of minimum lease payments

31/03/2010	£000s	31/03/2011
	Finance Lease Liability	
2,238	Current	2,352
12,822	Non Current	10,471
5,091	Finance costs payable in future years	4,364
<hr/>	<hr/>	<hr/>
20,151	Minimum lease payments	17,187
<hr/>	<hr/>	<hr/>

The minimum lease payments will be payable over the following periods:

#### Amounts due under finance leases

31/03/2010	£000s	31/03/2011
2,965	Payable within 1 year	2,949
10,969	Payable in 2 to 5 years	9,171
6,217	Payable after 5 years	5,067
<hr/>	<hr/>	<hr/>
20,151		17,187
<hr/>	<hr/>	<hr/>

These lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. In 2010/11 the authority paid contingent rents of £1,695k (£1,678k in 2009/10).

b Where the authority is the lessor:

The authority has disposed of a number of commercial properties by way of finance leases. The authority has a gross investment in the lease, made up of the minimum lease payments that will be received over the remaining term of the lease and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise the settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the authority in future years whilst the debtor remains outstanding. The gross investment is made up as follows:

Gross investment in the lease

31/03/2010	£000s	31/03/2011
	Finance Lease Debtor	
-	Current	-
1,576	Non Current	1,576
10,523	Unearned finance income	10,395
265	Unguaranteed residual value	265
<hr/> 12,364	Gross investment in the lease	<hr/> 12,236

The minimum lease payments will be received over the following periods

Minimum lease payments

31/03/2010	£000s	31/03/2011
128	Receivable within 1 year	128
510	Receivable in 2 to 5 years	510
11,461	Receivable after 5 years	11,334
<hr/> 12,099		<hr/> 11,972

The gross investment in the lease will be received over the following periods:

Gross investment in the lease

31/03/2010	£000s	31/03/2011
128	Receivable within 1 year	128
510	Receivable in 2 to 5 years	510
11,726	Receivable after 5 years	11,598
<hr/> 12,364		<hr/> 12,236

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. In 2010/11 the authority received contingent rents of £112k (£112k in 2009/10).

## 6 Private Finance Initiative (PFI)

The authority has ten PFI schemes where service delivery has commenced, all but one of which have resulted in all of the assets and corresponding liabilities being recognised on its balance sheet. The exception is the contract to provide two Joint Service Centres. Control of one of these two buildings at the conclusion of the contract will lie with the council, but control of the other will lie with the NHS. The council has therefore recognised as an asset the building which it will eventually control (the Harehills JSC), and has treated payments towards its use of the other JSC as revenue expenditure.

The following table analyses the movement in the value of assets recognised under PFI schemes during the year :

### Movement in PFI assets

£000s	01/04/2010	Acquisitions, lifecycle costs	Disposals	Reval'ns, depreciation, impairment	31/03/2011
Seven Schools	36,853	264		(3,169)	33,948
Primary Schools	23,750	290	(3,589)	1,137	21,588
Combined Secondary Schools	42,380	759		(3,422)	39,717
Swarcliffe	-	2		(2)	-
Street Lighting	69,062	16,540		(2,386)	83,216
Building Schools for the Future (1)	60,684		(12,272)	(4,835)	43,577
Independent Living	6,975	10,934		(3,500)	14,409
Building Schools for the Future (2)	10,240			(970)	9,270
New Leaf Leisure Centres	-	27,191		(772)	26,419
Harehills JSC	-	5,357		(4,065)	1,292
	249,944	61,337	(15,861)	(21,984)	273,436

The figures for disposals in the above table represent two schools which have transferred to trusts during 2010/11. The council retains the liability to pay the unitary charge amounts relating to these schools despite the fact that it no longer holds them as assets.

The following table breaks down the movement in the authority's recognised PFI liabilities during the year :

### Movement in PFI liabilities

£000s	01/04/2010	New liabilities	Amounts repaid	31/03/2011
Seven Schools	32,581		(1,188)	31,393
Primary Schools	32,936		(730)	32,206
Combined Secondary Schools	96,852		(2,312)	94,540
T Swarcliffe	41,752		(1,134)	40,618
h Street Lighting	68,906	16,540	(871)	84,575
e Building Schools for the Future (1)	108,608		(2,715)	105,893
Independent Living	46,883	10,934	(174)	57,643
f Building Schools for the Future (2)	35,136		(788)	34,348
o New Leaf Leisure Centres	-	27,168	79	27,247
I Harehills JSC	-	5,357	97	5,454
I	463,654	59,999	(9,736)	513,917
O				

The following table analyses the authority's PFI liabilities at the balance sheet date over the years in which they will be written down from unitary charge payments :

#### Analysis of PFI liabilities

£000s	Payable in	Payable in	Payable in	Payable in	Payable in	Payable in	Payable in	Total
	1 Year	2-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years	26-31 Years	
Seven Schools	1,127	4,560	5,543	9,135	11,028			31,393
Primary Schools	772	3,761	5,876	7,541	12,906	1,350		32,206
Combined Secondary Schools	2,077	9,723	14,934	16,592	30,553	20,661		94,540
Swarcliffe	1,391	4,723	4,780	6,465	10,218	13,041		40,618
Street Lighting	2,035	9,680	15,689	19,231	35,796	2,144		84,575
Building Schools for the Future (1)	2,421	10,292	16,362	21,666	29,087	26,065		105,893
Independent Living	1,443	6,707	6,108	9,368	11,529	21,049	1,439	57,643
Building Schools for the Future (2)	836	3,562	5,416	6,996	9,202	8,336		34,348
New Leaf Leisure Centres	505	2,442	3,531	5,136	6,922	8,711		27,247
Harehills JSC	125	536	789	1,048	1,396	1,560		5,454
<b>Total Liabilities</b>	<b>12,732</b>	<b>55,986</b>	<b>79,028</b>	<b>103,178</b>	<b>158,637</b>	<b>102,917</b>	<b>1,439</b>	<b>513,917</b>

The notes below give more information on the authority's current PFI contracts:

#### a Leeds Seven Schools PFI Project

On 31st October 2001 the authority entered into a 29-year contract under the Private Finance Initiative for the provision and maintenance of five primary schools and two secondary schools in Leeds. Service commenced between June 2002 and August 2003 and the contract will finish on 31st July 2030. The actual contract payments made in 2010/11 amounted to £6.2m. The authority received PFI Special Grant in 2010/11 amounting to £3.8m in support of the project. It is estimated that the total payments made to the PFI contractor in 2011/12 will amount to £6.3m, although the actual amount will be affected by the contractor's performance.

#### b Leeds Primary Schools PFI Project

The authority entered into a long term contract on 31st March 2004 for the provision and operation of ten primary schools in Leeds. Service for the first school started on 30th March 2005 and commencement for the remaining nine schools took place between July and September 2005. The contract will finish on 31st July 2031. The total payments made to the contractor during 2010/11 amounted to £5.6m. The authority received PFI Special Grant amounting to £2.7m in 2010/11 in support of the project. It is estimated that the total payments made to the contractor in 2011/12 will amount to £5.9m, although the actual amount will be affected by the contractor's performance.

#### c Leeds Combined Secondary Schools PFI Project

The authority entered into a long term contract for the provision and operation of five secondary schools and one primary school in Leeds on 31st March 2005. The first four schools commenced service in September 2006 and the other two became operational in September 2007. The total payments made to the contractor during 2010/11 amounted to £15.1m. The authority received PFI Special Grant amounting to £9.5m in 2010/11 in support of the project. The contract payments for 2011/12 are estimated to be £15.8m although the actual amount will be affected by the contractor's performance.

#### d Swarcliffe PFI Project

On 16th March 2005 the authority entered into a 30-year contract for the refurbishment and maintenance of 1,781 council houses. Service commencement took place in June 2005 and

the contract expires on 31st March 2035. The actual contract payments made in 2010/11 amounted to £8.4m. The authority received PFI Special Grant amounting to £6.1m in 2010/11 in support of the project. It is estimated that the total payments made to the PFI contractor in 2011/12 will amount to £8.7m, although the actual amount will be affected by the contractor's performance.

e Street Lighting PFI Project

The authority entered into a long term contract on 31st March 2006 for the renewal of 80% of the lighting columns in Leeds over a five year period. The contract includes the operation of the street lighting service in Leeds from July 2006 through to the completion of the contract in June 2032. The actual contract payments made in 2010/11 amounted to £9.9m, exclusive of electricity. The authority received PFI Special Grant amounting to £7.6m in 2010/11 in support of the project. The first full financial year when the five-year capital investment programme will be completed will be 2011/12 and the contract payments for that year are estimated to be £12.0m, exclusive of electricity costs.

f Building Schools for the Future (BSF) Scheme (1)

On 3rd April 2007, Leeds City Council entered into a long term partnership contract with Leeds LEP Ltd, the Local Education Partner ("LEP") in which it is a shareholder (please see note 10.3 for further details) to procure the rebuilding or refurbishment of 14 high schools in Leeds. On the same date the authority also entered into a PFI contract for the rebuilding of 4 High Schools; service commencement for 3 of these schools commenced in September 2008 and the fourth opened in September 2009. The actual contract payments made in 2010/11 amounted to £13.5m, and PFI Special Grant of £11.4m was received. The contract payments for 2011/12 are estimated to be £14.7m, although the actual amount will be affected by the contractor's performance.

g Independent Living

In June 2008 the council entered into a PFI contract for the provision of purpose-built properties on 39 sites enabling people with a learning disability or mental health needs to live in communities of their choosing and to take greater control of their lives. The first of these sites came into service in March 2009, and the remaining sites will become operational on a phased basis. The actual contract payments made in 2010/11 were £4.3m, and the authority received £4.7m in PFI Special Grant to support the project. It is estimated that contract payments for 2011/12 will be £5.1m, although the actual amount will be affected by the contractor's performance. A portion of the income received by the contractor will be received directly by them from tenants as rental. In accordance with the Code the authority accounts for this as income to itself, with a matching increase in the annual unitary charge. The authority has opted to recognise this income as it falls due rather than to recognise a deferred income balance at the start of the contract. The figure recognised for tenant rentals for 2010/11 was £1.2m, and is expected to be £1.6m in 2010/11.

h Building Schools for the Future (BSF) Scheme (2)

On 13th March 2008, the authority entered onto a PFI contract for the building of a new school for West Leeds and Wortley, which opened during 2009/10. Actual contract payments during 2010/11 were £3.9m and PFI Special Grant of £3.3m was received. Contract payments for 2011/12 are estimated to be £4.2m, although the actual amount will be affected by the contractor's performance.

i New Leaf Leisure Centres

In 2008 the council entered into a PFI contract for the rebuilding of two "New Leaf" Leisure Centres at Armley and Morley. The two leisure centres became operational in 2010/11. Actual contract payments during 2010/11 were £2.9m and PFI Special Grant of £2.2m was received. Contract payments for 2011/12 are estimated to be £3.5m, although the actual amount will be affected by the contractor's performance.

j Harehills and Chapeltown Joint Service Centres

In April 2009 the council entered into a contract for the provision of two Joint Services Centres in Chapeltown and Harehills, where the council and health primary care trusts will provide face to face customer services. Both of these buildings became operational during 2010/11. At the conclusion of the contract the council will have the option to lease the Harehills JSC for the rest of its expected useful life, but it will have no further rights in relation to the Chapeltown JSC. The council has therefore recognised the Harehills JSC as its asset and is treating expenditure in relation to Chapeltown JSC as a revenue contract which includes an operating lease. Actual contract payments during 2010/11 were £0.6m and PFI Special Grant of £0.7m was received. Contract payments for 2011/12 are estimated to be £1.1m, although the actual amount will be affected by the contractor's performance.

## 7 Additional notes to the income and expenditure account

This section brings together notes about spending in particular areas and on transactions with related parties. Councils are required to disclose information on these areas, and the transactions covered are included within the income and expenditure account but are not sufficiently material to appear as individual figures within it.

### 7.1 Dedicated Schools Grant

Government grant funding to local authorities for schools is paid as a separate Dedicated Schools Grant (DSG). The use of the DSG is restricted by statutory regulations, and the Accounts and Audit Regulations 2011 require local authorities to include a note to their accounts disclosing how the DSG has been used. The DSG must be allocated between the Individual Schools Budget and the Central Schools Budget, and overspends or underspends on the two elements must be accounted for separately. The amount of DSG received by an authority is dependent on pupil numbers, and thus the total grant for the year is not finalised until after the expenditure budget has been allocated.

For 2010/11 the total available DSG funding was £412.4m (£409.9m DSG received in 2010/11 plus an additional £2.5m carried forward from 2009/10). However the Authority agreed to set aside £2.1m of this funding for 2011/12. This leaves a total available DSG funding for the year of £410.3m, allocation between Individual Schools and Central Schools budgets as shown in the table below:

Allocation of Schools Budget and Dedicated Schools Grant

2009/10			£000s	2010/11		
Central schools budget	Individual schools' budget	Total		Central schools budget	Individual schools' budget	Total
34,906	369,979	404,885	Agreed budgeted distribution	39,253	371,008	410,261
32,444	-	32,444	Actual central expenditure	38,017	-	38,017
-	369,979	369,979	Actual ISB deployed to schools	-	371,008	371,008
-	-	-	plus local Authority contribution	1,590	-	1,590
2,462	-	2,462	Carry forward	2,826	-	2,826

The in year carry forward of £2.8m, identified in the table above, and the initial unallocated carry forward of £2.1m agreed at the beginning of the year, leaves a total carry forward of DSG funding into 2011/12 of £4.9m.

## 7.2 Pooled budgets

Section 75 of the NHS Act 2006 allows partnership arrangements between National Health Service bodies, local authorities and other agencies in order to improve and co-ordinate services. Each partner makes a contribution to a pooled budget, with the aim of focussing services and activities for a client group. Funds contributed are those normally used for the services represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

### a Joint Commissioning Board for People with Learning Disabilities

The authority has a Section 75 Pooled Budget Agreement (previously Section 31 of the 1999 Health Act) with NHS Leeds which has been in place since 1st April 2006. The pooled budget fund is summarised below:

#### Joint Commissioning Board for People with Learning Disabilities

2009/10	£000s	2010/11
<i>Funding</i>		
46,497	Leeds City Council	50,290
17,661	Leeds Primary Care Trust	19,168
-	Government grants	-
<hr/> 64,158		<hr/> 69,458
<i>Expenditure on services provided by</i>		
47,526	Independent sector	51,703
16,632	Leeds City Council (Adult Social Care)	17,755
<hr/> 64,158		<hr/> 69,458

### b Leeds Community Equipment Services

This is an integrated service managed jointly by Leeds Primary Care Trust and the authority. It holds, delivers, collects and refurbishes a wide range of equipment, issuing 77,355 items and collections 52,663 items in 2010/11. Some of the equipment issued by the store is purchased by a pooled equipment fund, which is made up of contributions by the managing agencies, and is provided following assessment and recommendation by a range of health and social care staff. The pooled budget fund is summarised below:

#### Leeds Community Equipment Services

2009/10	£000s	2010/11
<i>Funding</i>		
488	Leeds City Council	475
344	Leeds Primary Care Trust	416
<hr/> 832		<hr/> 891
<i>Expenditure on services provided by</i>		
488	Leeds City Council (Adult Social Care)	478
344	Leeds Primary Care Trust	413
<hr/> 832		<hr/> 891

### c. Safer Leeds - Drugs

The authority has a Section 75 Pooled Budget Agreement in place with NHS Leeds, effective from 1<sup>st</sup> April 2010. This is for the use of the Pooled Treatment Budget for the commissioning

of drug misuse services, which is received by NHS Leeds from the National Treatment Agency (NTA).

The Safer Leeds Joint Commissioning Group for drugs has delegated responsibility for commissioning within budget from the Safer Leeds Partnership. The group is made up of partner representatives including NHS Leeds, & is hosted by Community Safety, within the Environment & Neighbourhoods Directorate.

£000s	2010/11
<i>Funding</i>	
Pooled Treatment Budget from NHS	6,988
<hr/>	
	<hr/> 6,988
<i>Expenditure on services provided by</i>	
Commissioned Services	6,732
Balance Carry Forward to 2011/12	256
<hr/>	
	<hr/> 6,988
<hr/>	

### 7.3 Members' allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 require disclosure of the value of allowances paid to members of the council. This is shown in the following table:

#### Members' allowances

2009/10	£000s	2010/11
1,453	Basic Allowance	1,465
687	Special Responsibility Allowance	660
<hr/> <b>2,140</b>		<hr/> <b>2,125</b>

### 7.4 Employee remuneration

Under the Accounts and Audit Regulations 2011, local authorities are required to disclose information on their employees' remuneration in two sections. Full details are required for senior employees who have a role in the overall management of the authority or who occupy certain statutory posts, and whose annual salary is above £50,000. Those senior officers whose salary is above £150,000 are required to be named.

In addition summary disclosure is required of the numbers of other staff whose total remuneration (i.e. salary plus pension etc.) is above £50,000.

#### a Senior employees

The following table gives details of the remuneration for senior officers (as defined above) with an annual salary of above £50,000 :

## Senior employees remuneration

	<i>Employment period</i>	<i>Salary, Fees and Allowances</i>	<i>Compensation payments on termination of contract</i>	<i>Employers Pension Contribution</i>	<i>Total Remuneration</i>
		£	£	£	£
2009/10					
Chief Executive (Paul Rogerson)	1 April 2009 to 31 March 2010	196,158		25,964	222,122
Deputy Chief Executive (David Page)	1 April 2009 to 20 December 2009	118,891		17,284	136,175
Director of Resources	1 April 2009 to 20 December 2009	107,313		14,111	121,424
Director of Resources & Acting Deputy Chief Executive	21 December 2009 to 31 March 2010	38,956		5,181	44,137
Assistant Chief Executive (Planning, Policy & Improvement)	1 April 2009 to 31 March 2010	119,183		15,747	134,930
Assistant Chief Executive (Corporate Governance)	1 April 2009 to 31 March 2010	124,151		16,433	140,584
Director of Environment & Neighbourhoods	1 April 2009 to 31 March 2010	143,265		18,929	162,194
Director Adult Social Care	1 April 2009 to 31 March 2010	143,274		18,929	162,203
Director of City Development (Jean Dent)	1 April 2009 to 31 March 2010	155,959		20,661	176,620
Director of Children's Services	1 April 2009 to 20 December 2009	149,937		26,449	176,386
2010/11					
Chief Executive (Paul Rogerson)	1 April 2010 to 15 August 2010	76,981		10,335	87,316
Chief Executive (Thomas Riordan )	16 August 2010 to 31 March 2011	114,087		16,086	130,173
Director of Resources & Acting Deputy Chief Executive (Alan Gay)	1 April 2010 to 31 March 2011	161,872		22,815	184,686
Assistant Chief Executive (Planning, Policy & Improvement)	1 April 2010 to 31 March 2011	121,680		17,155	138,835
Assistant Chief Executive (Corporate Governance)	1 April 2010 to 31 March 2011	124,248	183,839	17,505	325,592
Director of Environment & Neighbourhoods	1 April 2010 to 31 March 2011	146,246		20,619	166,865
Director Adult Social Care (Sandie Keene)	1 April 2010 to 31 March 2011	151,027		21,216	172,243
Director of City Development	1 April 2010 to 8 August 2010	53,561		7,317	60,878
Acting Director of City Development	31 July 2010 to 31 March 2011	77,440		10,917	88,357
Director of Children's Services	1 November 2010 to 31 March 2011	74,933		10,566	85,499

### General notes

- No bonuses were paid during 2009/10 and 2010/11.
- No expense allowances were paid during 2009/10 and 2010/11.
- No additional benefits, either in cash or otherwise, were paid during 2009/10 and 2010/11.
- Any officer who acts as an Elections officer does so in a personal capacity and not as an employee of Leeds City Council. Any fees received in this capacity are therefore not included in the above figures.

### b Other employees

The following table gives the numbers of employees whose total remuneration is above £50,000 but who are not included in the detailed disclosure for senior employees given above.

## Other employee remuneration in excess of £50,000

Teachers	2009/10 Other Staff	Total	Number of employees	2010/11		
				Teachers	Other Staff	Total
139	124	263	£50,000 to £54,999	100	145	245
83	45	128	£55,000 to £59,999	85	44	129
47	52	99	£60,000 to £64,999	48	64	112
24	36	60	£65,000 to £69,999	37	48	85
6	11	17	£70,000 to £74,999	11	10	21
13	12	25	£75,000 to £79,999	3	10	13
8	13	21	£80,000 to £84,999	10	12	22
4	12	16	£85,000 to £89,999	5	9	14
3	4	7	£90,000 to £94,999	4	9	13
1	3	4	£95,000 to £99,999	3	7	10
2	1	3	£100,000 to £104,999	1	2	3
-	2	2	£105,000 to £109,999	2	3	5
2	-	2	£110,000 to £114,999	-	-	-
-	-	-	£115,000 to £119,999	1	-	1
-	-	-	£120,000 to £124,999	-	1	1
-	-	-	£125,000 to £129,999	-	-	-
-	-	-	£130,000 to £134,999	-	-	-
1	1	2	£135,000 to £139,999	-	1	1
-	-	-	£140,000 to £144,999	-	-	-
-	-	-	£145,000 to £149,999	-	-	-
-	-	-	£150,000 to £154,999	-	-	-
-	-	-	£155,000 to £159,999	-	1	1
-	-	-	£160,000 to £164,999	-	-	-
<hr/>			<hr/>			<hr/>
333	316	649		310	366	676

During 2010/11 a number of employees, who are normally paid less than £50k, have left the council under an Early Leavers Initiative and received a lump sum payment. In 2010/11, 6 teachers and 81 other staff have been added to this disclosure due to these one off payments.

Also during 2010/11 a number of schools gained Trust or Academy status. 42 teachers and 1 other staff are not included within the figures for 2010/11 as they are no longer employed by the authority.

Without these exceptional factors the number of employees paid over £50k would have fallen by 17 (13 additional teachers; a reduction of 30 Other staff).

### 7.5 Related party transactions

Related parties are organisations or individuals who have the potential either to influence or control the authority's activities (for example the government), or to be influenced or controlled by the authority (for example its subsidiary companies), or those who are subject to a common influence from the same source (for example the National Health Service which is also subject to government control). The Code requires the disclosure of any material transactions between the authority and related parties to ensure that stakeholders are aware that these transactions have taken place and the amount and implications of such transactions.

All such material related party transactions are disclosed in aggregate form below:

a Authority members

In respect of the 2010/11 financial year a number of authority members had a controlling interest in a company, partnership, trust or entity which generated a related party transaction with the authority. The controlling interest was by way of ownership, or as a director, trustee, governor or partner of an organisation. The transactions amounted to net payments of £43,930k made by the authority in 2010/11 (£23,165k in 2009/10), of which £7,362k related to committee approved grants in support of the arts, promotion, tourism and sport (£1,889k in 2009/10).

It may be noted that all members' pecuniary and non-financial interests which could conflict with those of the authority are open to public inspection as required by the Local Authority (Members Interests) Regulations 1992 (si1992/618) laid under section 19 of the Local Government and Housing Act 1989. In addition the awarding of any contracts by the authority to individual companies is governed by the authority's Contract Procedure Rules as approved by the Executive Board.

b Officers

Officers covered by this disclosure are defined within accounting practice and for Leeds City Council include the Chief Executive, the Deputy Chief Executive, the two Assistant Chief Executives and departmental directors. The note also covers members of those officers' close families or households. In 2010/11 there were no related party transactions requiring disclosure in relation to these officers.

As in the case of members, there is a code of conduct governing the disclosure of such interests, under s117 of the Local Government Act 1972.

c Other material related party transactions

Related party transactions with National Health Service bodies amounted to income to the authority of £14,630k in 2010/11 (£9,408k in 2009/10), including £1,397k accrued at 31st March. This income relates to various schemes and included funded nursing care for local authority funded residents from 1st April 2003, under Section 49 of the Health and Social Care Act 2001.

Agency payments by way of grants made to voluntary organisations for undertaking certain statutory duties on behalf of the authority amounted to £12,571k in 2010/11 (£13,120k in 2009/10). This includes £100k accrued at 31st March.

The following related party transactions are disclosed elsewhere in the accounts:

- Precepting authorities (see the Income and Expenditure and Collection Fund Accounts)
- Local Authority (Goods and Services) Act 1970 (see explanatory note 3.1 reference c)
- Pension fund (see explanatory note 4)
- Pooled services (see explanatory note 7.2)
- Government grants (see explanatory note 19)
- Associated and subsidiary companies (see the explanatory notes to the Group Accounts)

## 7.6 Audit fees

The Code requires a summary of the fees paid to the council's appointed auditors:

### Audit fees

2009/10	£000s	2010/11	notes
504	General audit	525	i
117	Certification of grant claims and returns	120	ii
17	Best Value inspection	11	iii
Other			
21	Support Services review	-	
3	Elector challenge	-	
3	West Yorkshire Pension Fund	-	
-	National Fraud Initiative	2	
-	Corporate Assessment	-	
<hr/>	<hr/>	<hr/>	<hr/>
27		2	
<hr/>	<hr/>	<hr/>	<hr/>
665		658	
<hr/>	<hr/>	<hr/>	<hr/>

i Services carried out under section 5 of the Audit Commission Act 1998

ii Services carried out under section 28 of the Audit Commission Act 1998

iii Services carried out under section 19 of the Local Government Act 1999

## 8 Movements on reserves

The authority's reserves have been split between useable and unusable reserves, and between revenue and capital reserves. Usable revenue and capital reserves are the only amounts within total reserves which are available to fund future expenditure. Usable capital reserves can only be used to fund capital expenditure, but revenue reserves can be used to fund either revenue or capital expenditure.

Unuseable revenue reserves are those established by statute in order to adjust the timing with which certain items affect council tax payers and housing tenants. For example, the largest statutory revenue reserve relates to pensions liabilities measured under IAS19. The government has determined that current council tax payers and tenants should only be charged with the actual level of pension fund contributions payable by the council, and thus the level of the pensions reserve reflects the extent to which pension liabilities already earned at the balance sheet date will be paid for through future pension fund contributions.

Unuseable capital reserves reflect unrealised gains on the authority's long term assets, and timing differences between the extent to which funding has been set aside for previous capital expenditure, and the extent to which the benefits of that expenditure have been consumed.

The following notes give more detailed breakdowns of the figures shown in the Movement in Reserves Statement.

### 8.1 Other comprehensive income and expenditure

The following table gives a breakdown of the figures for Other comprehensive income and expenditure shown within the Movement in Reserves Statement. Details of the total movements on the individual reserves affected by these items can be found in the explanatory notes referred to below.

2009/10	£000s	2010/11	notes
51,302	Surplus / (deficit) on revaluation of long term assets	(20,374)	15.1, 15.3
112	Surplus / (deficit) on revaluation of available-for-sale assets	(25)	15.4
(715,885)	Actuarial gains / (losses) on pension fund	457,016	4
<hr/>	<hr/>	<hr/>	<hr/>
(664,471)	Total of other recognised gains and losses	436,617	
<hr/>	<hr/>	<hr/>	<hr/>

## 8.2 Statutory adjustments between the accounting basis and the funding basis

The Comprehensive Income and Expenditure Statement shows the council's income and expenditure for the year on the basis of International Financial Reporting Standards. However, the amounts actually chargeable to a local authority's General Fund reserves, and therefore to its council tax, are controlled by legislation and include a number of statutory adjustments and transfers to specific reserves. The statutory adjustments which are required largely relate either to the arrangements for the funding of a local authority's capital expenditure or to the timing with which some items are charged or credited to council tax. The table below summarises these adjustments.

2009/10				2010/11		
GF	HRA	Total	£000s	GF	HRA	Total
<i>Transfers to/(from) the Housing Major Repairs Reserve</i>						
-	(23,066)	(23,066)	Excess of depreciation charged to HRA over Major Repairs Allowance	-	(8,279)	(8,279)
<i>Transfers to/(from) the Capital Grants Unapplied account</i>						
91,388	-	91,388	Grants received	102,364	-	102,364
<i>Transfers to/(from) the Usable Capital Receipts Reserve</i>						
8,209	6,298	14,507	Net gain / (loss) on sale of fixed assets - capital receipts	5,721	6,841	12,562
(3,772)	-	(3,772)	Transfer to I&E to fund payment of HRA pooled receipts	(3,789)	-	(3,789)
4,437	6,298	10,735		1,932	6,841	8,773
<i>Transfers to/(from) General Fund and HRA reserves to Statutory revenue reserves</i>						
(42,545)	101	(42,444)	Amount by which FRS 17 pension costs differ from pension contributions	275,703	9	275,712
(1,451)	1,154	(297)	Transfer (to) / from the financial instruments adjustment account	(753)	423	(330)
(708)	-	(708)	Transfer (to) / from the council tax adjustment account	(720)	-	(720)
192	-	192	Transfer (to) / from the equal pay back pay account	-	-	-
(512)	-	(512)	Transfer (to) / from the accumulated absences account	141	14	155
(45,024)	1,255	(43,769)		274,371	446	274,817
<i>Transfers to/(from) General Fund and HRA reserves to Capital accounting balances</i>						
(285,863)	173,536	(112,327)	Depreciation and impairment of fixed assets (excl depr'n on HRA assets)	(212,482)	(633,261)	(845,743)
(36,525)	(282)	(36,807)	Capital expenditure defined under statute	(77,213)	(770)	(77,983)
16,850		16,850	Capital expenditure defined under statute – grants and contributions	21,489	73	21,562
(39,610)	(7,457)	(47,067)	Net gain / (loss) on sale of fixed assets - assets written out	(93,040)	(5,426)	(98,466)
44		44	Deferral of capital receipts due	29	29	29
25,418		25,418	Statutory provision for repayment of debt	30,091		30,091
490	4,112	4,602	Capital expenditure funded from revenue	2,071	2,769	4,840
-	2,028	2,028	Voluntary provision for repayment of principal	-	-	-
	1,970	1,970	Other statutory items within the HRA	-	1,416	1,416
(319,196)	173,907	(145,289)		(329,055)	(635,199)	(964,254)
(268,395)	158,394	(110,001)	Net additional amounts to be debited/(credited) to General Fund and HRA	49,612	(636,191)	(586,579)

Details of the total movements in the individual reserves included above can be found in the following notes :

H9 Housing Major Repairs Reserve

15.5 Usable Capital Receipts Reserve

Pensions Reserve

- 17 Financial Instruments Adjustment Account
- 19.1 Council Tax Adjustment Account
- 19.2 Equal pay back pay Account
- 18 Accumulated Absences Account
- 15.2 Capital Adjustment Account

### 8.3 Statutory capital adjustments

The table below shows the transfers between usable and non-usable capital reserves that are required by statute for the year.

2009/10	£000s	2010/11	notes
59,961	Transfer to Housing Major Repairs Reserve - HRA depreciation	45,582	i
1,475	Transfers to Usable capital receipts reserve - long term capital debtors received	1,032	ii
<b>61,436</b>		<b>46,614</b>	

- i Local authorities are required to transfer from the Capital Adjustment account to the Housing Major Repairs Reserve an amount equal to the depreciation on HRA properties.
- ii Long term debtors which arise either from the disposal of fixed assets or from the repayment of capital loans are required to be treated as capital receipts. When such amounts are received, they must be credited to the Usable Capital Receipts reserve.

### 8.4 Transfers to fund capital expenditure

The following table gives a breakdown of the amounts which the council has transferred from its usable capital reserves to the Capital Adjustment Account (see note 15.2) to fund capital expenditure for the year. Details of the total movements on the individual reserves affected by these items can be found in the explanatory notes referred to below.

2009/10	£000s	2010/11	notes
12,217	Transfer from Usable Capital Receipts Reserve	9,805	15.5
37,224	Transfer from the Major Repairs Reserve	37,303	H9
77,166	Transfer from Capital Grants Unapplied account	95,704	15.6
<b>126,607</b>		<b>142,812</b>	

## 9 Earmarked Revenue Reserves

Leeds City Council has a number of earmarked reserves set aside for specific purposes.

### Earmarked revenue reserves

£000s	31/03/2010	net movements	31/03/2011	notes
Schools reserves	10,665	2,950	13,615	a
Central schools block	2,462	2,494	4,956	b
Extended schools	4,215	1,298	5,513	c
Other schools-related reserves	815	(196)	619	d
Total schools reserves	18,157	6,546	24,703	
PFI scheme reserves	6,210	3,584	9,794	e
Capital reserve	4,391	323	4,714	f
Government grants in advance	6,848	5,087	11,935	g
Other reserves	5,154	(408)	4,746	h
Total earmarked revenue reserves	40,760	15,132	55,892	

#### a Schools reserves

In accordance with section 48 of the School Standards and Framework Act 1998, the Leeds Scheme for the financing of schools provides for the carry forward of individual school surpluses. Net school reserve have increased by a net £2.9m in 2010/11, which partly reflects a £1.2m increase in aggregate school balances and repayment of previous borrowing from school reserves. There is an arrangement whereby Voluntary Early Retirement costs relating to Education department staff are paid initially by borrowing from school reserves and repaid over the following five years. In 2010/11, all such borrowing for this purpose was repaid from Income and Expenditure account, increasing net school balance by £1.7m. In addition, setup costs for future BSF schemes borrowed from school balances amounted to £4.7m. Thus the actual reserves available to schools are £18.3m. In the event of schools needing to call on their available reserves, the amounts not yet repaid would be transferred from the General Fund reserve.

#### b Central schools block

The Central Schools Budget comprises centrally managed pupil orientated services funded from the ring-fenced Dedicated Schools Grant. Any in year net surplus or deficit is carried forward to the schools budget in the following year.

#### c Extended Schools Reserve

Extended school activity is an initiative to make greater use of school facilities to provide wider community access and provide extended services such as quality childcare, study support activities and parenting support. Such activities are expected to broadly break-even in the medium term and any net surplus or deficit is carried forward to the following financial year.

#### d Other schools related reserves

Other schools related reserves are a Fire Prevention Works schools reserve and a Consequential Loss reserve to fund related costs arising as a result of fires, which are not covered by fire insurance.

#### e PFI scheme reserves

The council currently receives government Private Finance Initiative (PFI) special grants and makes contractual payments under eight PFI schemes, one of which relates to the HRA.

Where the annual grant received is in excess of the contract payments made for the year, the additional income is transferred to a PFI reserve to meet future years' contract payments. Additional contributions will be made to these reserves in future years in order to meet the lifetime costs of the PFI schemes. This figure includes £9.6m relating to school PFI schemes. The figure for PFI reserves included within earmarked reserves above relates only to General Fund PFI schemes (see note H6 for details of reserves identified for future costs of the PFI scheme within the HRA).

f Capital reserve

Departmental contributions towards the prudential borrowing costs of capital schemes are appropriated to the capital reserve based on the life of the asset. These contributions are released back to revenue to cover the actual cost of the debt over the life of the loan.

g Government grants in advance

Under IFRS accounting requirements, the authority recognises income for the grants that it receives as soon as it has satisfied all of the grant conditions, rather than recognising them as income only when the associated expenditure which they are to fund occurs. This means that in many cases grant income will now be recognised in an earlier financial year than its associated expenditure. The authority has therefore established a reserve to hold such grant income separately until the expenditure which it is to fund occurs.

h Other reserves

The authority has also set aside several reserves for various purposes including

- A ring-fenced reserve for the taxi and private hire licensing service.
- A reserve for the Leeds Learning Network provided to, and funded, by schools. The service enables schools to connect to the internet and share learning content. Any surplus generated will be used to reinvest to develop learning platforms and maintain the quality and resilience of the network.
- A reserve to fund the early leavers initiative, under which staff can take voluntary early retirement or voluntary severance.
- Also included is a wellbeing reserve, representing the accumulated unspent balance on the account as at 31<sup>st</sup> March 2011. The well-being budget was established to allow area committees to incur expenditure on an area basis.

## 10 Assets

This section provides additional information on the long term assets held on the Balance Sheet.

### 10.1 Property plant and equipment

a Balance sheet value

These notes analyse the total balance sheet value of the authority's housing, land and other fixed assets.

The following table shows a summary of the movements in the carrying value of fixed assets on the balance sheet. This is then broken down further to show the movements for each category of fixed asset.

## Balance sheet movements

	cost or valuation	depreciation & impairment	total balance sheet amount
£000s	i	ii	iii
As at 1 April 2010	4,972,160	(760,467)	4,211,693
Additions	279,171	-	279,171
Disposals	(93,287)	-	(93,287)
Donations			-
Depreciation	-	(133,175)	(133,175)
Impairments - asset deterioration	-	(7,193)	(7,193)
Change in classification	(10,713)	2,303	(8,410)
Impairments - fall in value	(745,831)	-	(745,831)
Revaluations	(20,322)	-	(20,322)
As at 31 March 2011	<u>4,381,178</u>	<u>(898,532)</u>	<u>3,482,646</u>

### i Cost or valuation

This is the historical cost or revalued amount of assets at the beginning of the year, plus any additions and revaluations (both positive and negative) during the year. The Code defines negative revaluations as being impairments due to fall in value. The cost or revalued amount of assets disposed of during the year is written out to give a year end balance.

The following table analyses these items, as they appear in the balance sheet movements table above, across the different classes of asset.

#### Cost or valuation

Operational fixed assets £000s	Council dwellings	Other land & buildings	Infrastructure	Vehicles, plant, eqpt	Community assets	Total operational
As at 1 April 2010	2,302,167	1,761,396	640,840	141,628	49,247	4,895,278
Additions	54,976	75,964	67,818	20,097	2,150	221,005
Donations						-
Revaluations	(14,820)	(5,502)	-	-	-	(20,322)
Impairments - fall in value	(631,768)	(114,063)	-	-	-	(745,831)
Disposals	(4,230)	(89,057)	-	-	-	(93,287)
Changes in classification	(1,470)	45,408	-	408	-	44,346
As at 31 March 2011	<u>1,704,855</u>	<u>1,674,146</u>	<u>708,658</u>	<u>162,133</u>	<u>51,397</u>	<u>4,301,189</u>

Non-operational fixed assets	Assets under construction	Total non- operational	Total fixed assets
As at 1 April 2010	76,882	76,882	4,972,160
Additions	58,166	58,166	279,171
Donations			-
Revaluations	-	-	(20,322)
Impairments - fall in value	-	-	(745,831)
Disposals	-	-	(93,287)
Changes in classification	(55,059)	(55,059)	(10,713)
As at 31 March 2011	<u>79,989</u>	<u>79,989</u>	<u>4,381,178</u>

### ii Accumulated depreciation and impairment

The deterioration of an asset between formal revaluations is measured by depreciation and by impairment due to asset deterioration.

The accumulated values for both consist of amounts charged between the last valuation and the current year, and charges in the current year. These charges are written out when an asset is disposed of.

The following table analyses these items, as they appear in the balance sheet movements table above, across the different classes of asset.

#### Accumulated depreciation and impairment

<i>Operational fixed assets</i> £000s	<i>Council dwellings</i>	<i>Other land &amp; buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Total operational</i>
As at 1 April 2010	(208,723)	(352,370)	(134,476)	(60,563)	(4,335)	(760,467)
Depreciation	(40,318)	(51,384)	(19,683)	(20,752)	(1,038)	(133,175)
Impairment - asset deterioration	(1,279)	(5,820)	-	(94)	-	(7,193)
Written out - disposals	-	-	-	-	-	-
Changes in classification	112	2,191	-	-	-	2,303
As at 31 March 2011	(250,208)	(407,383)	(154,159)	(81,409)	(5,373)	(898,532)
<hr/>						
<i>Non-operational fixed assets</i>	<i>Assets under construction</i>			<i>Total non-operational</i>	<i>Total fixed assets</i>	
As at 1 April 2010	-	-	-	-	(760,467)	
Depreciation	-	-	-	-	(133,175)	
Impairment - asset deterioration	-	-	-	-	(7,193)	
Written out - disposals	-	-	-	-	-	
Changes in classification	-	-	-	-	2,303	
As at 31 March 2011	-	-	-	-	(898,532)	
<hr/>						

#### iii Balance sheet amount

The carrying values, as identified on the balance sheet, are the cost or valuation of assets as detailed in note i above, less accumulated depreciation and impairment to date as detailed in note ii.

The following table analyses these values, as they appear in the balance sheet movements table above, across the different classes of asset.

#### Balance sheet amount

<i>Operational fixed assets</i> £000s	<i>Council dwellings</i>	<i>Other land &amp; buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Total operational</i>
At 1 April 2010	2,093,444	1,409,026	506,364	81,065	44,912	4,134,811
At 31 March 2011	1,454,647	1,266,763	554,499	80,724	46,024	3,402,657
<hr/>						
<i>Non-operational fixed assets</i>	<i>Assets under construction</i>			<i>Total non-operational</i>	<i>Total fixed assets</i>	
At 1 April 2010	76,882	-	-	76,882	4,211,693	
At 31 March 2011	79,989	-	-	79,989	3,482,646	
<hr/>						

#### b Nature of asset holding

This table shows whether assets recognised on the balance sheet at 31st March 2011 are owned by the council, leased, or part of a PFI arrangement. Further details of PFI contracts can be found in explanatory note 6.

## Nature of asset holding

<i>Operational fixed assets</i> £000s	<i>Council dwellings</i>	<i>Other land &amp; buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Total operational</i>
Owned	1,454,647	1,053,481	471,282	69,510	45,245	3,094,165
Finance Lease	-	22,825	-	11,214	779	34,818
PFI	-	190,456	83,217	-	-	273,673
	1,454,647	1,266,762	554,499	80,724	46,024	3,402,656
<i>Non-operational fixed assets</i> £000s	<i>Assets under construction</i>			<i>Total non- operational</i>		<i>Total fixed assets</i>
Owned	79,989			79,989		3,174,154
Finance Lease	-			-		34,818
PFI	-			-		273,673
	79,989			79,989		3,482,645

## c Valuation periods

This table summarises when assets were most recently valued, and so shows the progress of the council's five year rolling programme for revaluation. The bases for valuation are set out in accounting policy 14.

### Valuation periods

<i>Operational fixed assets</i> £000s	<i>Council dwellings</i>	<i>Other land and buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Total operational</i>
Valued at historical cost			554,499	80,724	46,024	681,247
Valued at current value in –						
2006/07	-	67,249	-	-	-	67,249
2007/08	-	244,093	-	-	-	244,093
2008/09	32	268,674	-	-	-	268,706
2009/10	3,982	369,640	-	-	-	373,622
2010/11	1,450,633	317,106	-	-	-	1,767,739
	1,454,647	1,266,762	554,499	80,724	46,024	3,402,656
<i>Non-operational fixed assets</i> £000s	<i>Assets under construction</i>			<i>Total non- operational</i>		<i>Total fixed assets</i>
Valued at historical cost	79,989			79,989		761,236
Valued at current value in –						
2006/07	-			-		67,249
2007/08	-			-		244,093
2008/09	-			-		268,706
2009/10	-			-		373,622
2010/11	-			-		1,767,739
	79,989			79,989		3,482,645

## d Asset valuations

The council's fixed assets are valued on the balance sheet in accordance with the Statement of Asset Valuation Principles and guidance notes issued by the Royal Institution of Chartered Surveyors.

All asset valuations were supervised by Chris Gomersall MRICS, Head of Property Services, Leeds City Council.

e Information on assets held

The council owns or controls substantial properties and other fixed assets required to provide its services, and the table in section (a) above shows the financial value of the assets included in the council's balance sheet. The following information explains the nature and numbers of the most significant of the assets used to deliver the council's services :

i Housing

The council owns 58,402 dwellings and 6,615 garages in its capacity as a landlord. For further information on this area please refer to note H7.3 of the Housing Revenue Account.

ii Schools

The council owns or has an interest in a number of educational establishments. The council wholly owns 172 primary and secondary schools with a further school being leased by the council. In addition there are 25 PFI schools in which Leeds City Council delivers a schools service using buildings provided by a private sector partner, 53 voluntary and religious schools, and 20 schools run by Trusts and 2 Academies.

iii Other educational facilities

The council owns 32 nurseries and children's centres, 12 adult training facilities and 9 other educational establishments, which provide for pre-school and adult learning. The council also owns a children's outdoor activity centre.

iv Social care facilities

The council has a number of residential facilities, including 43 adult care homes and 14 children's homes. There are also a number of residential properties built under the PFI Independent living scheme. The authority also owns 31 day centres which provide facilities for a cross-section of the community, 3 homeless hostels and a travellers' site.

v Parks, gardens and open spaces

There are 7 major parks in Leeds. The council also provides many smaller community parks, playgrounds and skate-parks, areas of local green space, nature conservation sites and woodlands.

vi Cultural and leisure facilities

In order to provide its cultural and leisure services, the council has 42 libraries and 29 leisure centres. A further 2 PFI leisure centres are run by the council. The council also owns numerous cultural venues that provide benefits to the people of Leeds as well as raising the profile of Leeds as a tourist attraction. These include 8 art galleries, museums and theatres as well as venues such as Leeds Town Hall, and 70 smaller public halls, community centres, venues and historic buildings.

vii Roads and public highways

The council is also responsible for maintaining the majority of roads and public highways in Leeds. There are currently estimated to be 2,975 km of roads within the council's responsibility and 32 public car parks.

viii Waste and recycling centres

The council provides 11 waste and recycling centres as part of its commitment to waste management and a greener Leeds.

ix Commercial properties

The council holds a number of commercial properties. These properties include industrial properties, business centres, depots and warehouses, as well as several shopping centres, markets and small retail units. These are held in order to promote the city as a commercial entity and to facilitate opportunities for small enterprises.

- x Administration buildings and depots

In addition to the Civic Hall, the council owns 60 administration buildings, including area offices which it uses to base its support staff who help facilitate the smooth functioning of the council's various services. The council also owns 12 depots that are used for service provision.

## 10.2 Investment property

Investment properties are land and buildings that the council holds to earn rentals, or for capital appreciation.

The associated direct operating costs and income associated that are recognised in the Comprehensive Income and Expenditure account are given in the table below.

### Investment property income and costs

2009/10	£000s	2010/11
1,480	Rental Income	548
(74)	Direct operating expenses	(125)
<b>1,406</b>	<b>Net gain/(loss) on investment properties</b>	<b>423</b>

The following table shows the breakdown of the movements in the balance sheet value of investment properties.

2009/10	£000s	2010/11
57,612	1 April	46,708
-	Additions - purchases	-
394	Additions - subsequent expenditure	126
(2,165)	Disposals	(2,528)
(11,175)	Net gains/(losses) from fair value adjustments	(1,112)
2,042	Transfers (to)/from Property, Plant and Equipment	4,857
<b>(10,904)</b>		<b>1,343</b>
<b>46,708</b>	<b>31 March</b>	<b>48,051</b>

## 10.3 Intangible assets

Intangible assets are assets that do not have physical substance but are identifiable and are controlled by the authority through custody or legal rights. The £8.2m intangible assets in the table below mainly represent software licenses and the IT development of in-house software systems.

## Intangible assets

	Licences, trademarks and artistic originals	Purchased software licences	Total <i>intangible</i> assets
£000s			
Value as at 31 March 2010			
Assets at cost	23,553	3,874	27,427
Accumulated amortisation	(16,330)	(2,931)	(19,261)
Net book value as at 1 April 2010	7,223	943	8,166
Additions	-	-	-
Amortisation	(2,069)	(189)	(2,258)
Net book value as at 31 March 2011	5,154	754	5,908

Intangible assets are amortised on a straight line basis to revenue over the useful economic life of the individual assets. Accounting policy 13 gives further details on accounting for intangible assets.

## 10.4 Long term investments

The authority has the following investments:

Long term investments		31/03/2010	£000s	31/03/2011	notes
25,000	Treasury investments maturing in more than 12 months	15,000		i	
1,153	Assisted Homebuy Scheme	1,128		ii	
50	Leeds Local Education Partnership Ltd	50		iii	
47	Other	47			
26,250			16,225		

- i At the close of 2010/11, the authority has treasury investments with a number of financial institutions which will mature after more than one year. Please see section 13 below for further details of the authority's treasury management activities.
- ii During 2007/08 and 2008/09, the authority operated an assisted homebuy scheme for a specific housing development within the city, in order to further the aim of increasing the availability of affordable housing. Under the scheme the authority took an equity stake of up to 50% in the homes being purchased. When the property is sold, the authority will receive the same percentage of the sale price. The value of the authority's stake is therefore subject to housing market price fluctuations. During 20010/11 there has been a net decrease in the estimated fair value of the authority's holdings, but the revised value remains higher than the initial cost of acquisition.
- iii The authority has invested in Leeds LEP Ltd, a Local Education Partnership company established under the government's Building Schools for the Future initiative. The purpose of the company is to act in partnership with the authority to procure new and improved school buildings via both direct procurement and the Private Finance Initiative. The authority has a 10% shareholding acquired at a nominal cost and a £50k holding of 12% loan stock in the company.

## 10.5 Long term debtors

This note identifies amounts owing to the authority which are being repaid over various periods longer than one year. Long term debt which has become due in less than twelve months has been reclassified as short term debt. The following table analyses the authority's long term debtors :

### Long term debtors

31/03/2010	£000s	31/03/2011	notes
	Mortgages		
319	Council house mortgages	238	i
414	Other housing mortgages	392	i
733		630	
	Other long term debtors		
7,101	Wakefield MDC	6,336	ii,iii
7,978	Yorkshire County Cricket Club	8,507	iv
2,000	Leeds City Credit Union	1,190	v
658	Other West Yorkshire authorities	486	vi
403	Employee car loans	422	vii
1,572	Finance leases	1,572	viii
185	Community Ventures (Leeds) Ltd	175	ix
100	West Yorkshire Playhouse	69	x
-	Other	66	
19,997		18,823	
20,730		19,453	

- i mortgages granted to housing associations and to occupiers of council dwellings under the council house 'right to buy' scheme;
- ii a joint venture agreement established with Wakefield MDC for the realisation of the authority's portion of the Welbeck waste disposal site;
- iii amounts owed by Wakefield MDC arising from Leeds City Council's contributions to capital costs of the former West Yorkshire Waste Management Joint Committee, for which Wakefield MDC received the corresponding Standard Spending Assessment;
- iv a loan to Yorkshire County Cricket Club to enable the purchase of the Headingley cricket ground. During 2010/11 this loan has been rescheduled so that no repayments are due during 2010/11 and 2011/12. The element of the loan that was originally due to be repaid during 2010/11 and was included as short term debt in the 31<sup>st</sup> March 2010 balance sheet has been shown in long term debtors at 31<sup>st</sup> March 2011; therefore the total amount outstanding on the loan is unchanged since 31<sup>st</sup> March 2010;
- v a loan to Leeds City Credit Union;
- vi amounts owed by City of Bradford MDC, Kirklees MC and Calderdale MBC in relation to residual debt from the former West Yorkshire Magistrates Court Joint Committee;
- vii loans to employees for the purchase of vehicles;
- viii amounts due under finance leases
- ix loans made to Community Ventures (Leeds) Ltd (formerly Leeds LIFT Ltd), a company established under the NHS Local Improvement Finance Trust scheme whose purpose is to provide primary, community and social care facilities in Leeds. The authority also has a shareholding of 6.66% in Community Ventures (Leeds) Ltd. The authority has entered into

a contract with Community Ventures (Leeds) Ltd for the provision of two joint service centres via a Private Finance Initiative (PFI) scheme. Please see note 6 j on page 48 for further details ;

- x A loan made to the West Yorkshire Playhouse to enable the development of performance facilities.

## 10.6 Contingent assets

Contingent assets are assets which may possibly arise as a result of past events, and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control. Contingent assets are not accounted for in the financial statements because this could result in the recognition of material gains that may never be realised, but they should be disclosed.

- i Car Parking Claim

The authority has been closely following the progress of an ongoing Value Added Tax (VAT) tribunal case in relation to off-street car parking, between HM Revenues and Customs (HMRC) and a number of local authorities. If the appeal process confirms that off-street car parking is not a business activity, and if the local authority as a sector then prove that there is no distortion of competition, they will no longer have to account for VAT on such income (on-street car parking is already classed as a non business activity).

Following refusal from HMRC to repay claims submitted we have lodged Tribunal appeals which have been stood over pending the outcome of the lead case. The total amount of the authority's claims in relation to VAT on car parking is £15.1m, of which £0.7m is subject to a separate capping claim – see iii below.

- ii Trade Waste Claim

A claim for VAT on fees for the collection of Trade Waste has been agreed in principle by HMRC as they have accepted the argument that collection of trade waste is a non business, rather than a business activity. Of the claim value of £6.5m, £2.7m is subject to a separate capping claim – see iii below. However HMRC have not agreed to repay the £3.8m uncapped element of the claim.

Firstly they did not fully accept the methodology used to calculate earlier years as they have moved away from the use of RPI as a reliable method of calculation, so following location of microfiche records the claim was reduced slightly but this did not make a material difference to the amount. Secondly they are challenging the claim by considering whether or not to they believe repayment of the claim would result in the authority being unjustly enriched.

Until they issue an actual decision we cannot take this issue forward.

- iii Capping Claims

The authority has lodged an appeal in respect of the three year capping provisions and whether the capping of claims repaid is valid. The total amount of the authority's capping claim is £3.8m, of which £2.7m relates to trade waste, £0.7m relates to car parking, and £0.3m relates to other claims.

- iv Compound interest claim

Following the repayment of its previous claims relating to the imposition of the 3 year cap on VAT repayments, the council has received "simple interest" and has requested compound interest at an appeal to VAT tribunal. The Tribunal may not be the correct avenue for this appeal to be heard and there was a high court ruling which established that in certain circumstances there was a right to be paid compound interest. LCC have therefore submitted a number of compound interest claims to the court and the outcome of the lead cases which

have been referred to the European Court of Justice are awaited. The amount of the claim is £59.7m.

## 11 Current assets

The following section provides additional information on the short term assets held on the Balance Sheet.

### 11.1 Debtors

As the balance sheet represents the position at the end of the financial year, there are monies owed to the authority at that date which are yet to be received as cash. The following analysis shows the amounts owed to the authority which had not been received at 31st March 2011.

The authority also makes provision for outstanding monies which it is anticipated will not be recovered. These amounts are then deducted from the total value of debtors shown in the accounts. An analysis of this provision for bad and doubtful debts is included below.

#### Debtors

	31/03/2010	£000s	31/03/2011
Government			
12,883	HM Revenue and Customs		17,521
9,009	Department of Communities and Local Government		1,418
25,264	Other departments		12,812
47,156			31,751
Taxpayers			
18,176	Council Tax		18,934
-	Business rate		-
18,176			18,934
Group entities			
14,373	Arms-length Management Organisations		12,901
2,006	Education Leeds		4,525
151	Other group entities		12
16,530			17,438
Public sector organisations			
11,578	Local authorities and other public bodies		6,162
Other			
8,085	Housing rents		7,771
44,690	Other - Sundry Debtors		44,478
52,775			52,249
146,215			126,534
Provisions for bad and doubtful debts			
(9,338)	Taxpayers		(10,346)
(5,476)	Housing rents		(4,986)
(8,411)	Other		(8,245)
(23,225)			(23,577)
122,990			102,957

The £44.5m of sundry debtors at the year end represents income due to be received from routine fees and charges.

## 11.2 Investments

Under the Code, the value of financial instrument investments in the balance sheet is required to be shown net of accrued interest due, with the accrued interest relating to long term investments being shown within short term investments in the balance sheet. At 31st March 2011 the authority held short term investments with financial institutions totalling £10,063k (£1,318k as at 31st March 2010), which included £62k of accrued interest due on its long and short term investments (£1,318k of interest at 31st March 2010). Treasury investments which will mature in more than one year have been classified as long term investments in the Balance Sheet (see note 10.3 above).

## 11.3 Inventories

At 31st March 2011 the authority held stocks and work in progress to the value of £2.7m (£2.5m at 31st March 2010) after accounting for the provision for obsolete stock.

The stocks and work in progress held are analysed by category as follows:

### Stocks and work in progress

	31/03/2010	£000s		31/03/2011
650 Re-saleable items				787
Materials				
149 Highways Materials			283	
150 Building Materials			129	
149 Horticultural			100	
82 Other Materials			86	
	530			598
Other Items				
412 Food, drink, consumables			482	
184 Fuel			251	
477 Other			385	
231 Work in progress			211	
	1,304			1,329
	<u>2,484</u>			<u>2,714</u>

The following table analyses the movements during the year for each category of inventory.

	Re-saleable	Materials	Other Items	Total
01 April 2010	650	530	1,304	2,484
Purchases	3,924	5,948	15,051	24,923
Issued/Sold	(3,770)	(5,879)	(14,810)	(24,459)
Written Off	(17)	0	(217)	(234)
31 March 2011	787	599	1,328	2,714

## **11.4 Assets held for sale**

Non-current assets held for sale are land and buildings that it is probable the authority will sell in the next 12 months. This includes council dwellings that are to be sold under the Right to Buy scheme.

## **11.5 Landfill allowances**

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. The act also provides the legal framework for the Landfill Allowances Trading Scheme (LATS). The scheme allocates landfill allowances to each waste disposal authority, to be set against its verified BMW landfill usage. An authority is able to trade any surplus allowances with potential buyers in the market.

Under the terms of the scheme, landfill usage is verified and the resulting liability settled after the year end. Unused landfill allowances are held on the balance sheet at the lower of cost and net realisable value, with a provision being raised for the estimated cost of the unsettled liability. At 31st March 2011, the net realisable value of landfill allowances was negligible, due to a surplus of allowances available for inter-authority trading. The authority has therefore valued its landfill allowances at 31st March 2011 at zero.

## **11.6 Cash and cash equivalents**

The following table gives a breakdown of the total figure for cash and cash equivalents shown in the balance sheet.

	31/03/2010	£000s		31/03/2011
603	Cash in hand			1,293
(1,312)	Cash overdrawn			(1,684)
2,769	Cash equivalents			3,135
<hr/>	<hr/>	<hr/>		<hr/>
2,060				2,744
<hr/>	<hr/>	<hr/>		<hr/>

The authority has defined cash equivalents as those investments which are held for treasury management purposes and which can be realised within 1 month or which have a lifetime of 3 months or less.

## **12 Current liabilities**

The following section provides additional information on the short term liabilities held on the Balance Sheet.

### **12.1 Creditors**

Since the authority's Balance Sheet represents the financial position at the end of the financial year, there are monies owed by the authority at that date which have yet to be paid. There are also amounts which the authority has received before the end of the financial year which relate to services which have not yet been provided, or are to fund schemes which have not yet taken place. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31st March 2011.

## Creditors

	£000s	
		31/03/2011
Government		
19,322 HM Revenue and Customs	16,788	
3,209 Department of Communities and Local Government	2,659	
4,411 Other departments	4,307	
<hr/>		
26,942		23,754
Group entities		
10,228 Education Leeds	106	
3,380 ALMOs	6,036	
<hr/>		
13,608		6,142
Public sector organisations		
16,063 Local authorities and other public bodies		15,661
<hr/>		
Taxpayers		
2,587 Council Tax	2,226	
<hr/>		
2,587		2,226
Other		
1,822 Housing rents	1,674	
89,618 Sundry creditors	85,679	
<hr/>		
91,440		87,353
150,640		135,136
<hr/>		
23,142 Receipts in advance	19,211	
<hr/>		
23,142		19,211
<hr/>		
173,782		154,347
<hr/>		

The significant value of sundry creditors at the year end relates to payments due for routine goods and services. The balance reflects the normal timing delay between goods and services being provided to the authority and invoices being received and processed.

## 12.2 Borrowing repayable on demand or within one year

The table below summarises the authority's borrowing which is due to be repaid within one year. In accordance with the Code, these balances are shown net of accrued interest due, including accrued interest on long term borrowing, as at the balance sheet date.

### Borrowing repayable within one year

31/03/2010	£000s	31/03/2011
109,663 Temporary loans		164,443
15,598 Accrued interest on borrowing		15,955
- Long term borrowing with less than one year to mature		25,000
<hr/>		
125,261		205,398
<hr/>		

Details of the authority's overall long term borrowing activities are given in note 13.4c below.

Within the balance of £164.4m temporary loans shown above at 31st March 2011 is £11.5m representing amounts invested with the council by its subsidiary Education Leeds.

## 12.3 Provisions for current and long term liabilities

The authority has a number of provisions in its accounts for liabilities which are expected to be settled within the next financial year. The table below analyses how the balance on each of these types of provision has changed during the year.

### Total provisions

£000s	31/03/2010	Provisions raised	Provisions used	Provisions reversed	31/03/2011	notes
Equal pay compensation	4,359	31,914	(120)	-	36,153	i
Insurance liabilities	7,899	1,725	-	-	9,624	ii
Other	501	683		(253)	931	
	12,759	34,322	(120)	(253)	46,708	
Long term provisions	8,546				42,768	
Short term provisions	4,213				3,940	
	12,759				46,708	

i Leeds City Council is in the process of settling claims in respect of equal pay, following the Single Status Agreement introduced in 1997 by the National Joint Council for Local Government Services to bring together manual and white collar employees under one set of terms and conditions of employment. From 2006/07 onwards, compensation payments have been made in relation to some specific groups of employees who were deemed to have been affected. At 31st March 2011, the authority has made compensation offers to a number of employees in specific groups, to which a response has not yet been received. The closing value of the provision reflects the estimated cost of this proposed compensation. The potential for further liabilities arising from equal pay claims is covered in note 14.4 below.

ii The insurance provision covers the value of insurance claims for which the authority estimates that it has a potential legal liability. Employee, public liability and motor third party liability claims are covered by external insurance policies which limit the council's maximum liability on individual claims to £500k (£150k for motor third party liability claims). The authority is also limited to a maximum liability of £12m for employee and public liability claims from 2003/04 and £6m for any previous year. Included within the provision is £478k (£416k at 31<sup>st</sup> March 2010) in respect of housing disrepair claims.

It is expected that some insurance claims will be settled within the next financial year and others over a longer period of time, but it is not possible to say on a claim-by-claim basis when particular claims will be settled. Based on previous experience, the value of claims expected to be settled after more than a year has been estimated as £3,940k (£4,213k at 31<sup>st</sup> March 2010) and this amount has been shown in the balance sheet as a provision for long term liabilities (see note 14.2 below).

## 13 Financial Instruments

A financial instrument is any contract which gives rise to a financial asset of one entity (such as cash, an equity instrument or a right to receive cash or an equity instrument) and a financial liability of another (such as an obligation to deliver cash or another financial asset).

Although leases and the liabilities arising under PFI schemes fall within the definition of financial instruments, these contracts are covered by more specific disclosure requirements

and are therefore not included in the figures given in this disclosure note. Details of leases can be found in note 5 and details of PFI contracts can be found in note 6.

### 13.1 Amounts recognised in the Balance Sheet

Some balance sheet categories, for example current debtors, include both items which are financial instruments and items which are not financial instruments. The table below shows the carrying values of financial instruments included within the various lines of the authority's balance sheet. In accordance with the Code, any accrued interest as at 31st March 2011 is included within the carrying value of the relevant financial instrument, rather than within debtors and creditors.

#### Carrying values

<u>31/03/2010</u>	<u>£000s</u>	<u>31/03/2011</u>
<i>Financial assets</i>		
Loans and receivables		
1,318	Investments	10,063
69,887	Debtors	65,431
25,097	Long term investments	15,097
19,158	Long term debtors	17,882
Available for sale		
1,153	Long term investments	1,128
<u>116,613</u>		<u>109,601</u>
<i>Financial liabilities</i>		
Financial liabilities at amortised cost		
(1,333,830)	Long term borrowing	(1,298,830)
(102,131)	Creditors	(120,359)
(125,261)	Borrowing repayable within one year	(205,398)
(8,183)	Deferred liabilities	(7,853)
<u>(1,569,405)</u>		<u>(1,632,440)</u>

### 13.2 Recognised gains and losses

The following table summarises the gains and losses which have arisen in the council's accounts in relation to financial instruments. The majority of these are reflected in the Income and Expenditure Account. The exception to this is unrealised gains and losses relating to available for sale assets, which are reflected only in the statement of total recognised gains and losses.

## Recognised gains and losses

<u>31/03/2010</u>	<u>£000s</u>	<u>31/03/2011</u>
<i>Recognised in Income and Expenditure on provision of services</i>		
Financial assets		
- Gains / (losses) on disposal of assets available for sale		-
2,923 Interest receivable on loans and receivables	1,615	
(2,259) Net movement in impairment of loans and receivables	(1,954)	
- Gains / (losses) on disposal of loans and receivables	-	
Financial liabilities		
(57,234) Interest payable	(59,029)	
32 Gains / (losses) on current year disposals	-	
(56,538)		(59,368)
<i>Recognised in Other comprehensive income and expenditure</i>		
Financial assets		
112 Unrealised gains/(losses) on assets available for sale	(25)	
- Disposal of assets available for sale	-	
Financial liabilities		
- Gains / (losses) on prior years disposals	-	
112		(25)
(56,426) Total recognised gain / (loss)		(59,393)

### 13.3 Fair value of items carried at amortised cost

The majority of the council's financial instruments are held at amortised cost. Under the SORP, councils are required to disclose information comparing the fair values and carrying values for those financial instruments whose carrying value is not a reasonable approximation for fair value. The following table gives this information :

#### Fair values

<u>31/03/2010</u>	<u>£000s</u>	<u>31/03/2011</u>
<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>
<i>Financial Assets</i>		
Loans and receivables		
19,158 Long term debtors	16,827	17,882
25,097 Long term investments	31,705	15,097
44,255	48,532	32,979
		31,718
<i>Financial Liabilities</i>		
Financial liabilities at amortised cost		
(1,333,830) Long term borrowing	(1,386,434)	(1,298,830)
(8,183) Deferred liabilities	(9,711)	(7,853)
(1,342,013)	(1,396,145)	(1,306,683)
		(1,285,433)

In the above table, fair value has been estimated using the PWLB's interest rates for new fixed rate borrowing of the appropriate maturity as at 31st March 2011. The figures for long term debtors include the authority's portfolios of right to buy housing mortgages and employee car loans. In calculating the estimated fair value of these long term debtors, an average lifetime for the portfolios as a whole has been used.

## 13.4 Management of risks arising from financial instruments

There are a number of risks associated with financial instruments which the authority is necessarily exposed to. However the authority monitors and seeks to manage these risks in order to minimise the potential for losses to occur.

### a Credit risk

Credit risk is the risk that amounts due to the authority may not be received.

Amounts due to the authority from financial assets can arise either from loans and investments made, or from income receivable for goods or services provided by the authority.

The majority of the authority's loans and investments are made for treasury management purposes, to generate income from available balances. The parameters within which these investments are made are set out within the authority's approved Treasury Management Policy. This policy limits the amounts which can be invested with any individual financial institution and with any group of companies, and specifies the levels of independent credit ratings which institutions must hold for the authority to invest particular amounts with them. These policy limits do not cover the authority's bankers, with whom the authority has an unlimited deposit facility. The effect of the policy limits is to restrict as far as is practical the authority's exposure to risk from the failure of a financial institution. The authority's financial assets held for treasury management purposes have been reviewed for impairment, and the authority is not aware of any factors which would suggest that the amounts will not be received in full, and has therefore concluded that no impairment provision is required.

In addition to its loans and investments made for treasury management purposes, the authority occasionally makes loans for service reasons (please see explanatory note 10.4 for details). Each such transaction is subject to a rigorous financial appraisal before any loan is made, and loans are typically required to be secured on appropriate assets of the borrower. These loans and investments have been subject to an impairment review, and the authority has concluded that no impairment provisions are required at 31st March 2011.

Some of the authority's short term trade debtors relate to the provision of goods and services, such as rents, sports centre income and work done for other public sector bodies. The authority operates an active debt recovery policy, to ensure that amounts due are collected as promptly as possible. Trade debtors are carried in the authority's balance sheet net of an impairment provision, which represents the extent to which the authority estimates that the debt may be uncollectable. The impairment provision is estimated on the basis of known factors affecting individual debtors and previous history of uncollectability for types of debtor. The gross value of the authority's short term debtors falling within the classification of financial instruments at 31st March 2011 was £72.9m, and an impairment provision of £7.5m had been recognised in relation to these debtors.

The table below shows the gross amounts due to the authority from its financial assets, and the amounts which have been impaired due to likely uncollectability. The net carrying value which is shown on the balance sheet represents the maximum credit risk to which the authority is exposed.

### Credit risk

£000s	31/03/2011		
	Gross value	Impairment value	Net value
Deposits with financial institutions	25,000	-	25,000
Accrued interest on deposits	63	-	63
Other investments	1,225	-	1,225
Long term loans	11,066	-	11,066
Other long term debtors	6,822	-	6,822
Trade debtors	72,947	(7,516)	65,431
	117,123	(7,516)	109,607

**b Liquidity risk**

Liquidity risk is the risk that the authority may not have sufficient cash available to meet its day-to-day obligations to make payments.

The authority has access to borrowings from both the Public Works Loans Board and commercial lenders to meet its long term spending and shorter term cash flow requirements. By statute, all amounts borrowed by a local authority are secured without priority across all of its revenues. This statutory provision helps to ensure that the authority is readily able to access the funds that it needs, and the authority has not encountered any difficulty in borrowing to meet its needs during 2010/11. The authority therefore considers that it has no significant liquidity risk. However, there is a consequent risk that the authority may be obliged to borrow at a time of unfavourable interest rates (see (c) below).

**c Interest rate risk**

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

*Long term financial liabilities*

The majority of the council's long term borrowing is at fixed interest rates, but it also borrows some monies in the form of lender option borrower option loans (LOBOs). Since all of the council's borrowing is held in the balance sheet at amortised cost rather than at fair value, any changes in the fair value of these financial liabilities as a result of fluctuations in market interest rates will not impact on the income and expenditure account or on the statement of total recognised gains and losses. The primary risk associated with fixed rate long term borrowing is that it will mature and require to be refinanced at a time of high interest rates. However, there is also a risk that if interest rates fall, the council may be unable to take full advantage of the lower rates due to holding long term fixed interest borrowing. In order to help manage its interest rate risk, the council operates maximum limits for the percentage of its borrowing which can be at fixed rates and the percentage which can be exposed to interest rate risk (i.e. the percentage which is at variable rates or which is short term borrowing). The maturity profile of long term borrowing is managed to ensure that exposure to interest rate changes is spread evenly over time. The council also constantly reviews the potential for refinancing its existing debt at reduced interest rates. In order to take advantage of continuing low short term interest rates available during 2010/11, the council has retained a relatively high level of short term borrowing during the year. This debt will be refinanced again into long term borrowing when it is prudent to do so.

The council currently has £435m of debt in the form of LOBOs, which equates to 29.8% of its net treasury management borrowing. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. One of the factors which might cause a lender to do this is fluctuations in market interest rates. If lenders exercise their option then the council can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender has the next option in the loan. If a change in the interest rate is agreed, this would impact on the amounts charged to the income and expenditure account. Due to their structure, LOBOs can be obtained at lower interest rates than fixed rate long term borrowing, but carry an element of cash flow interest rate risk. The authority seeks to ensure that this risk in any one year from its LOBO portfolio is minimised, by ensuring that option dates are evenly spread over future years. Of the £435m LOBO debt at 31st March 2011, only £55m was exposed to variable rates through lender options in 2011/12, and £50m in 2012/13.

### Long term borrowing by date of maturity (net of accrued interest)

	£000s	31/03/2011
55,000	Maturing in 1 – 2 years	30,000
45,000	Maturing in 2 – 5 years	15,000
60,000	Maturing in 5 – 10 years	60,000
60,000	Maturing in 10 – 25 years	60,000
678,830	Maturing in more than 25 years	698,830
435,000	Variable (lender option borrower option)	<u>435,000</u>
1,333,830	Borrowing with more than one year to mature	1,298,830
-	Long-term borrowing maturing within one year	<u>58,000</u>
1,333,830	Total long-term borrowing	<u>1,356,830</u>

### Long term financial assets

The council's long term debtors and long term investments are all at fixed interest rates, and thus will be unaffected by changes in market interest rates.

### Sensitivity to market interest rates

As explained above, changes in market interest rates affecting the fair value of financial assets and liabilities would have no impact on their carrying values, as the authority currently has no financial liabilities or loans and receivables carried at fair value. However, the authority is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It should be noted that, had interest rates been higher, the authority would in practice have taken different decisions in relation to rescheduling of debt, and to new borrowing and investments undertaken. The likely impact of such different decisions is not possible to quantify. However, the table below shows the extent to which the authority's interest payable and interest receivable would have been different had market interest rates during the year been 1% higher than they actually were, calculated based on the actual new and variable rate loans and investments that the authority held during the year.

### Interest rate sensitivity

2009/10			£000s	2010/11		
Actual	With 1% rate increase	Difference		Actual	With 1% rate increase	Difference
<i>Recognised in Income and Expenditure Account</i>						
Financial assets						
2,923	3,120	197	Interest receivable on loans and receivables	1,615	1,799	184
(57,234)	(58,979)	(1,745)	Financial liabilities	(59,029)	(59,603)	(574)
(54,311)	(55,859)	(1,548)	Interest payable	(57,414)	(57,804)	(390)

### d Other market risks

There are two other forms of market rate risk which could potentially affect a local authority's financial instruments - currency risk and price risk.

Currency risk is the risk that gains or losses will be incurred because of changes in foreign currency exchange rates. The authority holds no financial assets or liabilities in foreign currencies, and thus has no currency risk.

Price risk is the risk that the value of a financial instrument will change as a result of market fluctuations. At 31st March 2010 the authority holds on its balance sheet £1,128k of long term

investments relating to an assisted homebuy scheme under which the authority takes an equity stake of up to 50% in the homes being purchased. This value of this long term investment is at risk from fluctuations in housing prices, however the investment was undertaken for policy reasons rather than as a financial investment.

## 14 Long term and contingent liabilities

The following section provides additional information on the long term liabilities held on the Balance Sheet.

### 14.1 Deferred liabilities

Deferred liabilities include amounts due in relation to assets acquired through Private Finance Initiative (PFI) schemes and under finance leases, returnable bonds and other long term liabilities. The authority had the following deferred liabilities at 31st March 2011:

#### Deferred liabilities

	31/03/2010	£000s	31/03/2011
<b>PFI scheme liabilities</b>			
32,581	Seven Schools		31,393
32,936	Primary Schools		32,206
96,852	Combined Secondary Schools		94,540
41,752	Swarcliffe		40,618
68,906	Street Lighting		84,575
108,608	Building Schools for the Future (1)		105,893
46,883	Independent Living		57,643
35,136	Building Schools for the Future (2)		34,348
-	New Leaf Leisure Centres		27,247
-	Harehills JSC		5,454
<b>463,654</b>			<b>513,917</b>
<b>Other liabilities</b>			
15,097	Amounts due on finance leases		12,822
7,993	West Yorkshire Waste Management residual debt		7,674
1,082	Returnable bonds		1,099
622	PFI Cardinal Heenan repairs retentions		653
293	Compulsory Purchase Orders – untraced owners		293
190	West Yorkshire Probation Service residual debt		179
35	Other		35
<b>25,312</b>			<b>22,755</b>
<b>488,966</b>			<b>536,672</b>

Amounts payable during 2011/12 for West Yorkshire Waste Management and West Yorkshire Probation Service residual debt have been included in the balance sheet as creditors within current liabilities.

Further information on PFI schemes appears in Note 6 and information on the writing down of finance leases appears in note 5.2.

### 14.2 Provisions for long term liabilities

The authority maintains an insurance provision covering the value of insurance claims for which the authority estimates that it has a potential legal liability. It is expected that some insurance claims will be settled within the next financial year and others over a longer period of

time, but it is not possible to say on a claim-by-claim basis when particular claims will be settled. Based on previous experience, the value of claims expected to be settled after more than a year has been estimated as £42,768k (£4,213k at 31<sup>st</sup> March 2010), and this amount has been shown in the balance sheet as a provision for long term liabilities. The remainder of the insurance provision is shown within short term liabilities.

Further details of the total value of the insurance provision and the movements on it during the year are given in note 12.3 above.

Details of contingent liabilities relating to insurance appear below in note 14.3.

### 14.3 Contingent liabilities

When it can estimate contingent losses with some certainty, the authority accrues them into the financial statements. This note summarises other contingent losses, which may result in future costs but cannot be estimated accurately or are considered sufficiently uncertain.

The authority had the following contingent liabilities at 31st March 2011:

a General

The authority has a number of general litigious matters ongoing which could result in payments totalling £0.3m (£0.5m at 31st March 2010).

b Specific

- i Insurance claims. The authority has been advised by its actuaries that the value of outstanding legal liability claims against it is £25.3m (£22.3m on 31st March 2010). It is estimated that, if successful, £0.2m of these claims would be met by the authority's external insurers (£0.1m on 31st March 2010) leaving a balance of £25.2m where any liabilities would be met by the authority. A provision has been set aside on the Balance Sheet to the value of £9.6m (see note 12.3) for the estimated future settlement of these claims. The contingent liability value for insurance claims therefore stood at £15.5m at 31st March 2011 (£14.2m at 31<sup>st</sup> March 2010).
- ii Pension fund guarantees. The authority has acted as guarantor to a number of organisations admitted to the West Yorkshire Pension Fund. Any liability would only be payable if the admitted body did not have sufficient assets to meet the pension liabilities. The estimated potential liability as at 31st March 2011 was £23.5m (£39.3m on 31<sup>st</sup> March 2010).
- iii Equal pay claims. Arising from the 1997 Single Status Agreement, the authority has included in its accounts a provision for the estimated cost of compensation payments which are currently under negotiation in relation to a specific group of outstanding equal pay claims (see note 12.3 for further details). However, the authority recognises the potential that further equal pay claims may arise, some of which may lead to additional compensation agreements or to employees taking employment tribunal action. It is not possible to estimate with any certainty the likely financial impact in advance of such claims being made.
- iv In 1988 the authority issued an undertaking regarding a potential structural defect to a number of former council houses. The undertaking given related to properties of a particular construction on one estate, and applied only if the specified defects became apparent. To date there is no indication that the authority is likely to incur any significant liability in relation to this undertaking.
- v HMRC recently challenged the Authority for using red diesel – rebated fuel which is liable to a lower level of excise duty than white diesel – on tractors which were used on public roads for activities which did not qualify for the use of red diesel. They have issued a protective assessment for £37k but this amount could vary.

- vi Proceedings have been brought against the Council for breaches of procurement law in relation to developer competition. The claim is potentially worth up to £60m.

## 15 Capital accounting

Accounting practice in local government requires the use of a number of technical and complex capital accounts, some of which are unique to local authorities.

### 15.1 Revaluation reserve

The Revaluation Reserve represents the level of revaluation gains on the authority's fixed assets from 1st April 2007 onwards. The balance of any revaluation gains in the reserve relating to assets disposed of is transferred to the Capital Adjustment Account at the point of disposal.

#### Revaluation reserve

2009/10	£000s	2010/11
232,257	1 April	271,024
51,158	Revaluation of fixed assets	(20,685)
(1,494)	Accumulated revaluations on disposals	(9,027)
(10,897)	Depreciation adjustment	(5,290)
0	Accumulated revaluations of impairments	0
<hr/>		
38,767		(35,002)
<hr/>		
271,024	31 March	236,022
<hr/>		

### 15.2 Capital adjustment account

The Capital Adjustment Account is used to reflect those capital accounting reserve entries required by the local authority capital accounting regime which are outside normal IFRS. It contains the amount of capital expenditure financed from revenue, capital receipts, capital grants and capital contributions. It also contains appropriations to the income and expenditure account where the total of depreciation and impairment exceeds the authority's minimum revenue provision (MRP) for debt repayment. The account is used to write down revenue expenditure funded from capital under statute, long term debtors and investments. In addition, the carrying value of the fixed assets disposed of during the year is written off to the account, along with any accumulated revaluation gains that are transferred from the revaluation reserve.

## Capital adjustment account

2009/10	£000s	2010/11
2,017,841	1 April	1,951,057
	<i>Capital financing</i>	
12,217	Usable capital receipts	9,805
16,850	Capital grants and contributions funding REFCUS	21,562
77,166	Capital grants and contributions from capital grants unapplied	95,704
37,224	Transfer from Major Repairs Reserve	37,303
4,602	Revenue contributions	4,840
<b>148,059</b>		<b>169,214</b>
	<i>Other movements</i>	
-	Transferred from fixed asset restatement account	-
	Transferred from capital financing account	
(146,870)	MRP less depreciation	(861,234)
(47,067)	Disposal of fixed assets	(98,466)
1,514	Accumulated revaluations on disposals	9,026
(36,807)	Write-off of revenue expenditure funded from capital under statute	(77,983)
10,897	Depreciation above historic cost	5,290
-	Revaluation reserve of impairments	-
-	Disposal of long term investments	-
-	Deferred prepayments	-
2,028	HRA voluntary set aside	-
1,970	HRA PFI principal	1,416
-	Write-down of deferred consideration	-
(508)	Write-down of long term debtors	(80)
<b>(214,843)</b>		<b>(1,022,031)</b>
<b>1,951,057</b>	31 March	<b>1,098,240</b>

### 15.3 Deferred capital receipts

Deferred capital receipts relate to future income to be received from long term debtors where the original advance was not financed by borrowing. The major long term debtors giving rise to deferred capital receipts at 31st March 2011 are:

- amounts owed by Wakefield MDC arising from the Welbeck waste disposal site joint venture agreement;
- council house 'right to buy' sales where the authority has granted a mortgage rather than made a cash sale.

#### Deferred capital receipts

31/03/2010	£000s	31/03/2011
7,354	Wakefield MDC	6,797
369	Council house mortgages	285
1,572	Finance leases	1,572
-	Other	29
<b>9,295</b>		<b>8,683</b>

### 15.4 Available for sale reserve

The available for sale reserve was introduced from 1st April 2007 as part of the changes in accounting requirements for financial instruments. This reserve reflects the balance of unrealised gains on available for sale assets included in the Balance Sheet. Any revaluation gains on available for sale assets are taken straight to this reserve and are not reflected in the Income and Expenditure account. When available for sale assets are disposed of, the

accumulated balance relating to the asset on the available for sale reserve is transferred to the Income and Expenditure account. The table below shows the transactions on the reserve for 2010/11:

#### Available for sale reserve

	£000s	31/03/2011
28	1 April	140
112	Revaluation gains / (losses) on assets	(25)
-	Disposals transferred to Income and Expenditure account	-
<b>140</b>	<b>31 March</b>	<b>115</b>

#### 15.5 Usable capital receipts reserve

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, where it is split between usable and reserved elements (see accounting policy 15). The reserved element is paid over to the government's national pool for redistribution back to local authorities. The usable element can be applied to the financing of new capital expenditure or remain in this account.

#### Usable capital receipts

	2009/10	£000s	2010/11
7	1 April		-
	Receipts in year		
12,210	Usable capital receipts	9,805	
3,772	Housing Revenue Account pooled receipts	3,789	
<b>15,982</b>			<b>13,594</b>
	Applied		
(12,217)	To fund new capital expenditure	(9,805)	
(3,772)	Transfer to Revenue	(3,789)	
<b>(15,989)</b>			<b>(13,594)</b>
-	31 March		-

#### 15.6 Capital grants unapplied

Capital grants and contributions received by the authority are credited to the capital grants unapplied account when there is an expectation that any conditions related to the grants will be met. These grants and contributions are then used to fund the related capital expenditure when it is incurred. The following table shows the transactions on the reserve during 2010/11:

#### Capital grants unapplied

	31/03/2010	£000s	31/03/2011
72,825	1 April		87,047
91,388	Grants received		102,364
(77,166)	Grants applied to fund capital expenditure		(95,704)
<b>87,047</b>	<b>31 March</b>		<b>93,707</b>

## 16 Capital expenditure and financing

Total capital expenditure in 2010/11 was £357.3m (£349.7m in 2009/10). All capital expenditure, including accrued spending, is funded in year.

The following tables analyse capital spending by category of asset and by source of funding:

### Capital expenditure

2009/10	£000s	2010/11
271,078	Operational assets	221,249
40,243	Non-operational assets	58,050
36,807	Revenue expenditure funded from capital under statute	77,983
-	Deferred consideration	-
1,445	Intangible assets	-
22	Investments	-
79	Long term debtors	-
<b>349,674</b>		<b>357,282</b>

### Capital financing

2009/10	£000s	2010/11
92,519	Borrowing	128,067
94,016	Grants and contributions	117,236
12,217	Capital receipts	9,805
37,224	Major Repairs Allowance	37,303
4,602	Revenue contributions to capital	4,870
109,096	PFI deferred liabilities	60,001
<b>349,674</b>		<b>357,282</b>

Significant schemes within the authority's capital programme include continuing improvements to the authority's housing stock delivered by the arms-length management organisations; the completion of neighbourhood renewal works in south and east Leeds; regeneration schemes in Armley and Chapeltown, in part funded via the Townscape Heritage Initiative; investment in improved facilities for adults with disabilities; the rollout of telecare provision for vulnerable adults; a continuing programme of investments in the schools estate through the building schools for the future and the primary schools investment programmes; the Leeds Arena scheme, now at main contract stage, and associated improvements to the Woodhouse Lane multi storey car park for arena parking; major transport schemes including the A65 Quality Bus Initiative and New Generation Transport (this latter scheme still subject to final funding approval); continued investment through the highways programme to reduce the level of backlog maintenance; business support through the development of the Middleton Enterprise Centre; investment in the cultural infrastructure with the imminent completion of the City Varieties Theatre refurbishment, and continuing investment in Business Transformation and Information Technology projects.

In addition to the capital expenditure in the table above, the authority is contractually committed to further expenditure of £275m in future financial years. The projected phasing of these commitments is for £209m to be spent in 2011/12, £47.2m in 2012/13, £11.4m in 2013/14 and £7.4m for 2014 onwards.

## 17 Financial instruments adjustment account

The financial instruments adjustment account reflects the cumulative difference between the amounts relating to financial instruments chargeable to the Income and Expenditure account and the General Fund Reserve under IFRS, and the amount chargeable to the General Fund Reserve under statutory requirements.

The Code requires all new premiums and discounts to be reflected in the Income and Expenditure account as they arise. However, statutory regulations allow premiums to be amortised to the General Fund Reserve over the lifetime of either the repaid loan or any replacement loan, whichever is the greater. Discounts must be amortised over the lesser of the remaining lifetime of the repaid loan and 10 years.

Where authorities have given loans at below market interest rates for policy reasons, they are required to treat these as 'soft' loans and account in their Income and Expenditure account for the loss incurred as a result of making such a loan. Statutory regulations require that the interest credited to the General Fund Reserve for such loans should be the actual interest due for the year. The authority does not currently have any such loans.

The table below shows the transactions making up the movement on the account for 2010/11.

Financial Instruments adjustment account

31/03/2010	£000s	31/03/2011
70,684	1 April	70,981
(33)	<i>Transfers to the reserve</i> Premiums and discounts arising in year	-
330	<i>Transfers from the reserve</i> Premiums and discounts amortised to revenue	330
<hr/>	<hr/>	<hr/>
70,981	31 March	71,311

## 18 Accumulated absences account

Under IFRS, authorities are required to recognise liabilities in their accounts for the estimated value of accrued leave and flexitime which staff carry forward to take in the following financial year. So that this change did not adversely impact on Council Tax payers and housing tenants, the government introduced statutory regulations to require the impact to be transferred to a new Accumulated Absences Account shown within Unusable statutory revenue reserves in the balance sheet. The table below shows the opening balance on this account as at 1<sup>st</sup> April 2009, and the movements during 2009/10 and 2010/11.

31/03/2010	£000s	31/03/2011
10,582	1 April	11,094
320	Increase / (decrease) in teachers accumulated leave	16
192	Increase / (decrease) in other staff accumulated leave	(171)
<hr/>	<hr/>	<hr/>
11,094	31 March	10,939

## **19 Other unusable statutory revenue reserves**

### **19.1 Collection fund adjustment account**

Under statute, the council tax income which an authority is required to credit to its General Fund for the year is its budgeted precept. However, the actual income attributable to the authority for the year is likely to vary from the precept, due to changes in the tax base (i.e. the number of households in different council tax bands within the authority's area) which have happened since the budget was set. The authority's Comprehensive Income and Expenditure Account reflects the actual income due to the authority during the year, and the difference between this and the precept is transferred to the Collection fund adjustment account. The balance on the Collection fund adjustment account is taken into account when setting the level of future years' council tax.

### **19.2 Equal pay back pay account**

Many local authorities are in the process of negotiating settlements with staff over claims arising under the Single Status Agreement introduced in 1997 by the National Joint Council for Local Government Services. Where the government issues a capitalisation directive to an authority these costs can be met from capital resources, but any costs not covered by a capitalisation directive would in normal circumstances need to be funded from the General Fund and HRA reserves as soon as a liability is required to be recognised. The Equal pay back pay account is a statutory reserve which authorities can use to transfer the impact of provisions raised for those equal pay claims which the authority expects to settle from revenue resources, but has not yet settled. This has the effect of delaying the impact on Council Tax payers and housing tenants of equal pay costs until actual payments are made.

The authority has obtained capitalisation directives to cover all of its recognised equal pay liabilities arising since 1<sup>st</sup> April 2009, and thus has a nil balance on its Equal pay back pay account.

## **20 Government grants cash received**

The government grants revenue cash inflows figure shown on the Cash Flow Statement represents the cash received by the authority. This may differ from the amounts included within gross income figures in the Income and Expenditure Account, which is prepared on an accruals basis. This table summarises cash received as government grants:

Government grants

	2009/10 £000s	2010/11
271,254	Department for Work and Pensions grants for rebates	302,435
55,914	Revenue Support Grant	38,476
49,803	Area Based Grant	69,479
47,850	Private Finance Initiative	49,693
7,082	Benefits administration subsidy	6,574
1,247	National Non-Domestic Rates collection allowance	1,250
400,540	Dedicated Schools Grant	409,929
65,647	Schools Standards	75,995
3,219	Other education grants	34,977
23,505	Housing Revenue Account subsidy	19,428
53,401	Other	14,577
<b>979,462</b>		<b>1,022,813</b>

## 21 Local taxation

This table analyses cash received relating to local taxation as shown on the Cash Flow Statement. As the figures report cash actually received during the year, they do not equal the figures on the Collection Fund Account, which is prepared on an accruals basis.

### Local taxation

2009/10	£000s	2010/11
257,075	Council Tax	262,884
242,248	Distribution from National Non-Domestic Rates pool	264,968
499,323		527,852

## 22 Exceptional items and prior period adjustments

The authority has accounted for one exceptional item in its accounts since 2006/07. This relates to compensation settlements arising from the Single Status Agreement introduced in 1997 by the National Joint Council for Local Government Services to bring together manual and white collar employees under one set of Terms and Conditions of employment. The authority continues to be in the process of settling its liabilities in respect of this agreement. The expenditure arising in 2010/11 from this issue has been capitalised under a direction from the Department of Communities and Local Government, meaning that it has been charged to the Comprehensive Income and Expenditure account and then transferred out to capital accounting balances in the Movement in Reserves statement. The authority has disclosed a contingent liability reflecting the uncertainty over future equal pay claims.

The authority has restated its prior period accounts for the changes required by the introduction of IFRS-based accounting for local authorities. Please see [page 89](#) for further details.

## 23 Excepted items

There are certain topics that councils have to report on but that do not affect Leeds City Council's accounts for 2010/11. This note schedules those topics.

- a Discontinued operations: no significant operations or services were discontinued during the year.
- b Agency arrangements: under a number of statutory powers, the authority is permitted to undertake work on behalf of other bodies. Under such arrangements all expenditure, including administration costs, would be reimbursed by the entity concerned. The authority currently has no such arrangements in place.
- c Transport Act 2000: under the provisions of the Transport Act 2000, details of any scheme of road user charging or work place parking levy should be notified. For 2010/11, no such activities have been entered into by Leeds City Council.
- d Business Improvement Districts: there were no Business Improvement Districts established within Leeds during the year.

## **24 Judgements made by management**

In preparing its accounts, the authority is required to make judgements in applying its accounting policies. The following judgements made have a significant effect on the amounts recognised in the financial statements :

### **a Private finance initiative (PFI) schemes**

The authority has evaluated its ten PFI schemes under the requirements of the code and concluded that all but one of the assets provided under them should be recognised on its balance sheet as its assets. Please see note 6 above for details of this judgement.

### **b Inclusion in the investment properties classification**

The council has reviewed its portfolio of tangible fixed assets in order to determine which should be classified as investment properties. In the case of those properties for which it receives rental income, the authority has had to exercise its judgement on whether its primary reason for holding the property is to generate income, or whether its main purpose is to achieve a policy objective such as economic development. The authority has concluded that its portfolios of markets, industrial units, farms and shops located within housing estates are held to achieve policy objectives and has therefore excluded these from the investment properties classification.

### **c Equal pay liabilities**

In accounting for liabilities relating to equal pay, the authority has had to judge which of the possible future liabilities it faces are sufficiently certain to be accounted for as a provision and which should be contingent liabilities. The authority has taken the view that where it has received claims from individuals covering circumstances which it has accepted may give rise to a valid claim, a provision for the estimated settlement value should be raised. Where the authority is aware that there is a potential for future claims but none have yet been received, it has judged these possible liabilities to be sufficiently uncertain and unquantifiable to be classified as contingent liabilities.

## **25 Assumptions and major sources of estimation uncertainty**

The Code requires authorities to disclose those estimates and assumptions which it has made in the preparation of its accounts which carry a significant risk of resulting in a material adjustment within the next financial year.

### **a Net pensions liabilities**

In arriving at the figures for net liabilities relating to its obligations under defined benefit pension schemes, the authority has to make assumptions about future events over a long period of time (please see note 4 for details of the assumptions made). The council's actuaries have advised that a 0.5% increase in the discount rate would result in a decrease in the WYPF pensions liability of £215.5m. During 2010/11, the council accounted for a decrease of £151m in net pensions liabilities as a result of estimates being corrected as a result of experience, and a decrease of £188m due to the updating of assumptions.

### **b Values of fixed assets**

The authority carries out a 5 year rolling programme to revalue its fixed assets. For those assets held at current value and not revalued in a particular year, the authority uses appropriate indices to apply an estimated revaluation for the year. For 2010/11 it has applied indexation of -6.3% to assets valued at depreciated replacement cost, resulting in a total reduction in carrying values of £51.6m, and indexation of -0.2% to assets carried at market value, resulting in a reduction of £3.3m in carrying values.

## **26 Post Balance Sheet events**

The Statement of Accounts was signed and authorised for issue by the Director of Resources on 30<sup>th</sup> June 2011. Events happening between the balance sheet date and the date the accounts are authorised for issue are classed as post balance sheet events. Post balance sheet events which arose due to events happening before the balance sheet date have been incorporated into the financial statements.

Any post balance sheet events which arose due to events happening after the 31st March 2011 would be classed as non-adjusting events, which would require disclosure but would not be included in the financial statements. No such events have occurred.

## **27 New accounting standards not yet implemented**

The Code requires local authorities to disclose the likely impact of any new accounting standards which have been issued as at the balance sheet date but which will not apply to local authorities' accounts until subsequent financial years.

The only such accounting change requiring disclosure is the incorporation of FRS30 Heritage Assets into the Code for 2011/12. The authority does not anticipate any material changes to the value of its net assets and liabilities as a result of this change. The main impact of the change will be to require additional disclosures on the extent and nature of the authority's heritage assets.

## **28 Transition to IFRS-based accounting**

As part of the transition from UK GAAP to IFRS based accounting, the Code requires authorities to produce its balance sheet as at 1<sup>st</sup> April 2009, restated on an IFRS basis, together with explanatory notes as appropriate for any material items. The transitional balance sheet and its associated notes are shown on the following pages.

As a result of the move to IFRS based accounting, the authority's total reserves and balances as at 1<sup>st</sup> April 2009 have increased by £509m in comparison to the figures reported under UK GAAP. The major factor in this difference is a change in the accounting treatment for grants received. Under IFRS, grants are recognised as income once all conditions attached to them have been met, rather than being recognised as income only when the corresponding expenditure which they are to fund is incurred. This change has meant that £5.2m of revenue grants and £499.6m of capital grants which were previously shown as receipts in advance and deferred government grants are now included within the authority's reserves at 1<sup>st</sup> April 2009. In addition, differences in the definition of a finance lease under IFRS have meant that some leases are now accounted for differently. A £17.4m gain in unusable capital reserves has been recognised as a result of revaluation gains prior to 1<sup>st</sup> April 2009 on assets leased in by the authority, which were previously classed as operating leases but which are now treated as finance leases and therefore recognised as the authority's assets. The changes in accounting for grants and leases were partly offset by a £10.6m reduction in reserves due to the requirement under IFRS to recognise a liability for the estimated value of leave entitlements which employees carry forward into the next financial year. This is reflected in the restated balance sheet in the new Accumulated Absences Account shown within Unusable statutory revenue reserves.

# IFRS Opening Balance Sheet

£000s	<u>01 April 2009</u>	<i>notes</i>
<i>Long-term assets</i>		
Property, plant and equipment	4,057,539	a
Investment property	57,612	
Intangible fixed assets	8,540	
Long-term investments	26,116	
Long-term debtors	21,705	
	<u>4,171,512</u>	
<i>Current assets</i>		
Debtors	121,288	b
Investments	16,149	
Inventories	2,938	
Assets held for sale	3,984	
Landfill allowances	-	
Cash and cash equivalents	2,136	
	<u>146,495</u>	
<i>Current liabilities</i>		
Creditors	(161,042)	c
Borrowing repayable on demand or within one year	(162,392)	d
Provisions for current liabilities	(6,880)	
	<u>(330,314)</u>	
Total assets less current liabilities	3,987,693	
<i>Long-term liabilities</i>		
Long-term borrowing	(1,271,830)	e
Net pensions liability	(714,767)	4
Deferred liabilities	(388,298)	f
Capital grants receipts in advance	(352)	
Provisions for long term liabilities	(3,536)	
	<u>(2,378,783)</u>	
Total assets less liabilities	1,608,910	
 Financed by		
<i>Unusable capital accounting balances</i>		
Revaluation Reserve	232,206	15.1
Capital Adjustment Account	2,017,841	15.2
Deferred Capital Receipts	10,145	
Available for Sale Reserve	28	15.4
	<u>2,260,220</u>	
<i>Usable capital funding reserves</i>		
Usable Capital Receipts Reserve	7	15.5
Capital grants unapplied	72,825	15.6
Major Repairs Reserve	329	H9
	<u>73,161</u>	
<i>Unusable statutory revenue reserves</i>		
Pensions Reserve	(714,767)	4
Financial Instruments Adjustment Account	(70,684)	17
Accumulated Absences Account	(10,582)	18
Collection Fund Adjustment Account	693	19.1
Equal Pay Back Pay Account	(192)	19.2
	<u>(795,532)</u>	
<i>Usable revenue reserves</i>		
General Fund Reserve	19,296	
Housing Revenue Account Reserve	18,794	
Other earmarked reserves	32,972	9
	<u>71,062</u>	
Total reserves and balances	1,608,911	

The following tables give breakdowns of the most material assets and liabilities shown on the transitional balance sheet :

a Property plant and equipment

<i>Operational fixed assets</i> £000s	<i>Council dwellings</i>	<i>Other land &amp; buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Total operational</i>
At 01 April 2009	1,906,219	1,538,624	447,512	42,718	76,677	4,011,750
<i>Non-operational fixed assets</i>	<i>Assets under construction</i>				<i>Total non-operational</i>	<i>Total fixed assets</i>
At 01 April 2009	45,788			45,788		4,057,538

£000s	01/04/2009
Government	
HM Revenue and Customs	17,678
Department of Communities and Local Government	415
Other departments	22,249
	40,342
Council Tax taxpayers	17,472
Group entities	17,472
Arms-length Management Organisations	26,081
Education Leeds	2,445
	28,526
Public sector organisations	
Local authorities and other public bodies	4,737
Other	
Housing rents	9,273
Other - Sundry Debtors	46,681
	55,954
Provisions for bad and doubtful debts	
Taxpayers	(9,127)
Housing rents	(7,167)
Other	(9,449)
	(25,743)
	121,288

b Debtors

c Creditors

	£000s	<u>01/04/2009</u>
Government		
HM Revenue and Customs	18,684	
Department of Communities and Local Government	794	
Other departments	4,181	
		<u>23,659</u>
Group entities		
Education Leeds	10,479	
ALMOs	2,686	
		<u>13,165</u>
Public sector organisations		
Local authorities and other public bodies		17,626
Council Tax taxpayers		2,411
Other		
Housing rents	1,661	
Sundry creditors	86,574	
		<u>88,235</u>
Receipts in advance		<u>145,096</u>
		<u>161,042</u>

d Borrowing repayable on demand or within one year

	£000s	<u>01/04/2009</u>
Temporary loans		127,429
Accrued interest on borrowing		14,961
Long term borrowing with less than one year to mature		20,002
		<u>162,392</u>

e Long-term borrowing

	£000s	01/04/2009
Maturing in 1 – 2 years	-	-
Maturing in 2 – 5 years	70,000	70,000
Maturing in 5 – 10 years	-	-
Maturing in 10 – 25 years	-	-
Maturing in more than 25 years	766,830	766,830
Variable (lender option borrower option)	435,000	435,000
Borrowing with more than one year to mature		1,271,830
Long-term borrowing maturing within one year		20,002
Total long-term borrowing		<u>1,291,832</u>

f Deferred liabilities

	£000s	01/04/2009
PFI scheme liabilities		
Seven Schools	33,674	33,674
Primary Schools	33,670	33,670
Combined Secondary Schools	99,768	99,768
Swarcliffe	39,882	39,882
Street Lighting	48,699	48,699
Building Schools for the Future (1)	104,548	104,548
		360,241
Other liabilities		
Amounts due under finance leases	17,193	17,193
West Yorkshire Waste Management residual debt	8,326	8,326
Returnable bonds	1,131	1,131
PFI Cardinal Heenan repairs retentions	811	811
Compulsory Purchase Orders – untraced owners	293	293
West Yorkshire Probation Service residual debt	211	211
Other	92	92
		28,057
		<u>388,298</u>

## The Housing Revenue Income and Expenditure Account

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision. The Housing Revenue Income and Expenditure Account shows the major elements of Housing Revenue Account expenditure and how they are met from rents, subsidy and other income. This income and expenditure account does not reflect all of the transactions required by statute to be charged or credited to the Housing Revenue Account for the year. The Statement of Movement on the Housing Revenue Account Balance gives details of the additional transactions which are required by statute.

2009/10	£000s	2010/11	notes
<i>Income</i>			
164,116	Dwelling rents	168,260	
2,525	Non-dwelling rent	2,571	
6,449	Charges for services and facilities	8,017	
28,164	HRA subsidy receivable (including major repairs element)	25,739	H1
<u>201,254</u>		<u>204,587</u>	
<i>Expenditure</i>			
73,867	Supervision and management	77,228	H2
44,161	Repairs and maintenance	44,447	H2
2,303	Rents, rates, taxes and other charges	2,287	H2
(113,704)	Depreciation and impairments of fixed assets	679,343	H3.1
206	Provision for doubtful debts	1,332	
282	Revenue Expenditure Funded from Capital under Statute	<u>697</u>	
<u>7,114</u>		<u>805,333</u>	
(194,140)	Net cost of HRA services as in the Income and Expenditure Account	<u>600,746</u>	
2,059	HRA share of Corporate and Democratic Core	<u>2,103</u>	
(192,081)	Net cost of HRA services	<u>602,849</u>	
<i>HRA share of operating income and expenditure included in the authority's Income and Expenditure Account</i>			
1,159	(Gain) or loss on disposal of fixed assets	(1,415)	
33,051	Interest payable and similar charges	33,349	H4.1
(16)	Amortisation of premium and discounts	-	H4.2
488	Pension interest cost and expected return on pension assets	256	H5
(332)	Interest and investment income	<u>(793)</u>	
<u>(157,731)</u>	(Surplus) or deficit for year on HRA services	<u>634,246</u>	

# Statement of Movement on the Housing Revenue Account Reserve

This statement gives details of the additional transactions which fall outside the HRA income and expenditure account but must be taken into account in order to determine the surplus or deficit for the year on the HRA Reserve, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

<u>2009/10</u>	£000s	<u>2010/11</u>	<i>notes</i>
<i>Increase or decrease in the HRA reserve comprising:</i>			
(157,731)	(Surplus) or deficit on the HRA Income and Expenditure Account	634,246	
<i>Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the HRA reserve</i>			
1,154	Difference between amortisation of premiums and discounts in accordance with SORP and those determined in accordance with statute	423	H4.2
173,536	Impairment of fixed assets	(633,261)	H3.1
(282)	Write-off revenue expenditure funded from capital under statute	(697)	
101	HRA share of contributions to / (from) the Pension Reserve	9	H5
2,028	HRA voluntary provision for repayment of principle	-	H4.3
4,112	Capital expenditure funded by the HRA	2,769	H8.1
(23,066)	Transfer to / (from) MRR	(8,279)	H9
1,970	Difference between accounting regulation and Statute	1,430	
(1,159)	Net gain / (loss) on sale of fixed assets	1,415	
<hr/> 158,394		<hr/> (636,191)	
663	(Increase) / decrease in Housing Revenue Account Balance	<hr/> (1,945)	
<hr/> 18,794	Housing Revenue Account Reserve balance brought forward	<hr/> 18,131	
(663)	Increase / (decrease) for the year	<hr/> 1,945	H6
<hr/> 18,131	Housing Revenue Account Reserve balance carried forward	<hr/> 20,076	

# Explanatory notes to the Housing Revenue Account

## H1 Housing Revenue Account (HRA) subsidy

The following table analyses the HRA subsidy payable to the authority for the financial year in accordance with elements set out in the general formula in paragraph 3.1 of the government's general determination of Housing Revenue Account subsidy for the year:

HRA subsidy

	2009/10	£000s	2010/11
64,306	Allowance for maintenance		66,359
36,895	Allowance for major repairs		37,304
34,210	Allowance for management		34,979
32,811	Allowance for Arms Length Management Organisations		32,811
6,097	Allowance for Private Finance Initiatives		6,097
-	Allowance for Rental Constraint		-
17,185	Charges for capital		16,173
(29)	Other income		(16)
191,475			193,707
(163,310)	Guideline rent		(167,257)
-	Adjustment in respect of previous years		(711)
-	Rent Rebate Subsidy limitation		
(163,310)			(167,968)
28,165			25,739

## H2 Arms Length Management Organisations (ALMOs) management fees

The council paid a management fee of £111.2m to its three ALMOs for the management of its housing stock (2009/10 £110.1m). In order to comply with proper accounting practice this management fee has been split between

- repairs and maintenance,
- supervision and management, and
- rent, rates, taxes and other charges

and is the major part of these elements on the face of the Housing Revenue Account. The fee has been allocated to these headings based on the original agreed contractual split and any subsequent agreed amendments to the fee. This contractual fee is consolidated out of the Group Account statements and replaced by the ALMOs' actual spend and contribution to reserves.

## H3 Charges for HRA use of assets

### H3.1 Depreciation and impairment

The HRA Income and Expenditure Account is charged with depreciation and impairment in order to reflect the full cost of housing at the net cost of service level. For 2010/11 the breakdown of these charges was £45.6m depreciation and £633.3m impairment.

The impact of impairment charges is reversed within the Statement of Movement on the HRA Reserve in accordance with statute.

Within its subsidy grant, the HRA receives the Major Repairs Allowance (see note H1) as an allowance to maintain the condition of housing stock. In accordance with statute, the difference between depreciation and the major repairs allowance is transferred to or from the Major Repairs Reserve (see note H9). This ensures that depreciation does not impact on the HRA Reserve.

## H4 Charges relating to the finance costs of borrowing for HRA capital expenditure

### H4.1 Interest

Under statute, the HRA receives a charge reflecting its proportion of the authority's overall interest cost on its borrowing for capital expenditure. The method of apportioning the HRA's share of total interest costs complies with general accounting practice, and thus the amount charged to the HRA Income and Expenditure account is the statutory charge.

### H4.2 Amortisation of premiums and discounts

In accordance with the Code, the HRA Income and Expenditure account receives a debit or credit reflecting the HRA's proportion of the authority's overall Income and Expenditure account charge for premiums and discounts for the year. However, statute specifies a different rate for the amortisation of premiums and discounts to the ringfenced HRA Reserve. The Statement of Movement on the HRA Reserve therefore includes an adjustment reflecting the difference between the two amortisation rates. In 2010/11, the statutory amortisation charge for premiums and discounts was £423k (£1,154k in 2009/10), and the amount chargeable to the HRA Income and Expenditure Account was nil.

### H4.3 Voluntary provision for repayment of principal

Statute allows the HRA to set aside amounts from the HRA Reserve to repay amounts borrowed to fund HRA capital expenditure. In 2010/11, the HRA did not set aside any funds for this purpose (£2,028k was set aside in 2009/10). This transaction has no impact on the HRA Income and expenditure account, and is shown in the Statement of Movement on the HRA Reserve.

## H5 Contributions to and from the Pensions Reserve

Local authorities are required to account for their pension costs on an FRS 17 basis, but to reverse the impact of FRS 17 based accounting to the Pensions Reserve to ensure that it does not impact on council tax or housing rents – please see note 4 to the authority's main statements for further details. This table identifies the total HRA share of contributions to and from the Pensions Reserve and breaks the figure down to show the type of contribution to or from the reserve.

Contributions to and (from) the Pensions Reserve

	£000s	
2009/10		2010/11
57	Current service cost	(208)
532	Past service cost	473
589		265
(1,244)	Pension interest cost and expected return on assets	
756	Interest on liabilities	(1,179)
	Expected return on assets	923
(488)		(256)
101	Transfer to / (from) the Pensions Reserve	9

## H6 HRA reserves

As there is a statutory requirement to account for the Housing Revenue Account separately from the rest of Leeds City Council, the accumulated HRA reserve is also recognised separately. Given the significance of recent developments, it has been thought prudent to maintain a higher reserve than in previous years and to identify elements within it for specific purposes.

### HRA reserves

£000s	01/04/2010	net movements	31/03/2011	notes
General reserve	4,638	(620)	4,018	
Swarcliffe PFI	10,946	573	11,519	i
PFI procurement	150	(150)	-	ii
Decency target	73	-	73	iii
Swarcliffe Access Refusals	-	349	349	iv
Environmental works	292	(52)	240	v
ALMO Capital reserve	-	1,740	1,740	vi
PFI set up costs - Lifetime Homes	500	(500)	-	vii
Underoccupancy pilot	98	-	98	viii
Early Leavers initiative	480	(51)	429	ix
Options appraisal - ALMOs	90	-	90	x
Holdsforth Place - land purchase	64	-	64	xi
Decanting and demolition costs	800	-	800	xii
Care-ring replacement	-	656	656	xiii
	18,131	1,945	20,076	

- i Swarcliffe Private Finance Initiative.
- ii The procurement costs of the Beeston Hill and Holbeck scheme.
- iii Injection to be made into the capital programme to support additional spending toward decency target.
- iv The future costs of access refusals for repairs to Swarcliffe PFI properties
- v Environmental works in the Swarcliffe PFI area.
- vi Monies to fund future capital works due to be carried out by the ALMOs
- vii The pre-procurement costs of the Lifetime Homes scheme; that is, the costs of developing the formal bid rather than those of the PFI scheme itself.
- viii To fund the downsizing of lone tenants to widen the pool of suitable properties available for families.
- ix Funds to support the Early Leavers' Initiative.
- x Fund to support the review of the future of council housing in Leeds.
- xi To fund the purchase of land at Holdsworth Place.
- xii Contribution to decanting and demolition costs.
- xiii Funds set aside to contribute to the replacement of the Care-ring equipment service provided in council housing.

## H7 HRA assets

### H7.1 Fixed assets

This note identifies the total balance sheet value of land, houses and other property within the HRA.

#### HRA fixed asset movements

£000s	Cost or valuation	Depreciation & impairment	Total carrying values
	i	ii	iii
Opening balance 1 April 2010	2,365,683	(227,356)	2,138,327
Additions	58,936	-	58,936
Disposals	(4,340)	-	(4,340)
Depreciation 2010/11	-	(45,571)	(45,571)
Impairments - asset deterioration	-	(1,279)	(1,279)
Change in classification	(475)	4	(471)
Impairments - fall in value	(632,398)	-	(632,398)
Revaluations	(9,241)	-	(9,241)
Closing balance 31 March 2011	1,778,165	(274,202)	1,503,963

#### i Cost or valuation

This is the historical cost or revalued amount of assets at the beginning of the year, plus any additions and revaluations (both positive and negative) during the year. The cost or revalued amount of assets disposed of during the year is then written out to give a year end balance.

Below is a breakdown of these items across the different classes of assets within the HRA.

#### Cost or valuation

£000s	Operational			Totals
	Council dwellings	Other land, buildings	Vehicles, plant, eqpt	
As at 1 April 2010	2,296,279	33,196	36,207	2,365,682
Additions	54,872	1,266	2,798	58,936
Revaluations	(14,990)	5,748	-	(9,242)
Impairments - fall in value	(631,518)	(879)	-	(632,397)
Disposals	(4,230)	(110)	-	(4,340)
Change in classification	(381)	(94)	-	(475)
As at 31 March 2011	1,700,032	39,127	39,005	1,778,164

#### ii Accumulated depreciation and impairment

The balance brought forward, depreciation charge for the year and impairments are all measures of the deterioration of an asset between formal revaluations.

This accumulated depreciation is then written out when an asset is revalued or disposed of.

The following table breaks down these items across the different classes of assets within the HRA.

## Accumulated depreciation and impairment

£000s	<i>Operational</i>			<i>Totals</i>
	<i>Council dwellings</i>	<i>Other land, buildings</i>	<i>Vehicles, plant, eqpt</i>	
As at 1 April 2010	(208,074)	(6,982)	(12,300)	(227,356)
Depreciation 2010/11	(40,179)	(1,980)	(3,412)	(45,571)
Impairment - asset deterioration 2010/11	(1,279)	-	-	(1,279)
Write out depreciation on revaluations	-	-	-	-
Write out depreciation on disposals	-	-	-	-
Change in classification	-	4	-	4
As at 31 March 2011	(249,532)	(8,958)	(15,712)	(274,202)

### iii Total carrying values

The carrying value is the cost or valuation of the asset detailed in note i above, less any accumulated depreciation and impairment to date as detailed in note ii.

This is broken down by class of asset below.

### Total carrying values

£000s	<i>Operational</i>			<i>Totals</i>
	<i>Council dwellings</i>	<i>Other land, buildings</i>	<i>Vehicles, plant, eqpt</i>	
As at 1 April 2010	2,088,205	26,214	23,907	2,138,326
As at 31 March 2011	1,450,500	30,169	23,293	1,503,962

## H7.2 Vacant possession values

In accordance with government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. This adjustment factor is 31% in 2010/11 (47% in 2009/10). As a consequence the authority recognises council dwellings at a value of £1,451m on the balance sheet. At vacant possession the same dwellings would have a value of £4,621m therefore recognising an economic cost to the government of providing council housing at less than open market rents of £3,170m.

## H7.3 Housing stock

At 31st March 2011 the authority was responsible for managing 58,402 dwellings. The composition of the stock was as follows:

### Housing stock

31/03/2010	number	31/03/2011	
34,853	Houses	34,657	59.34%
23,991	Flats	23,729	40.63%
17	Shared dwellings or ownership	16	0.03%
58,861		58,402	100.0%

The net reduction in housing stock consists of:

#### Changes in housing stock

2009/10	number	2010/11
58,861	1 April	58,603
(92)	Right to buy sales	(92)
(175)	Demolition	(183)
17	Brought into or out of use	81
(8)	Disposals	(7)
(258)		(201)
58,603	31 March	58,402

#### H8 HRA capital accounting

##### H8.1 Capital expenditure and funding

The following tables identify the total capital expenditure on land, houses and other assets within the HRA during the financial year, and break it down according to the various funding sources:

##### HRA capital expenditure

2009/10	£000s	2010/11
55,403	Council dwellings	54,872
950	Vehicles, plant and equipment	2,798
1,831	Other land and buildings	1,266
4	Long term debtors	-
282	Revenue expenditure funded from capital under statute	770
58,470		59,706

##### HRA capital funding

2009/10	£000s	2010/11
37,224	Major Repairs Reserve	37,303
9,665	Borrowing	13,320
4,112	Revenue contributions	2,769
3,822	PFI Deferred Liabilities	-
3,647	Grants and contributions	4,872
-	Useable capital receipts	1,442
58,470		59,706

The revenue expenditure funded from capital under statute relates mainly to statutory home loss payments. A person is entitled to this when they are displaced from their dwelling by a compulsory purchase order.

##### H8.2 Capital receipts

The Local Government Act 2003 stipulates that income from the disposal of assets must be split into usable and reserved elements. The reserved element is paid over to the national pool (£3,789k in 2010/11) and the useable element can be used to fund capital expenditure.

The table below identifies HRA capital receipts from the disposal of assets:

#### Capital receipts

2009/10	£000s	2010/11
5,773	Council houses	6,388
375	Land	538
106	Other property	-
<b>6,254</b>		<b>6,926</b>

#### H9 Major Repairs Reserve

The Accounts and Audit Regulations 2003 require local authorities to maintain a Major Repairs Reserve. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. The determination under item 8 of part 6 of the Local Government and Housing Act 1989 requires any difference between the depreciation credit on the reserve and the Major Repairs Allowance to be transferred back to the HRA. Authorities are able to charge capital expenditure directly to the reserve, along with any voluntary set aside to repay debt. The following table shows the movement on the Major Repairs Reserve for the financial year:

#### Major Repairs Reserve

2009/10	£000s	2010/11
329	1 April	-
59,961	Transfer to the reserve	45,582
(37,224)	Capital expenditure charged to the reserve	(37,303)
(23,066)	Transfer from the reserve	(8,279)
<b>(60,290)</b>		<b>(45,582)</b>
-	31 March	-

#### H10 Housing rent arrears

The rent arrears of current tenants, as a proportion of gross dwelling rent income, were 2.5% at 31st March 2011 compared with 3.0% at 31st March 2010.

Rent arrears for current and former tenants were:

#### Housing rent arrears

2009/10	£000s	2010/11
2,962	Former tenants	2,794
5,846	Current tenants	5,120
<b>8,808</b>		<b>7,914</b>

The provision for uncollectable housing rents was £5.0m as at 31st March 2011 (£5.5m as at 31st March 2010).

## H11 Excepted items

There are certain topics that councils have to report on but that do not affect Leeds City Council's Housing Revenue Account for 2010/11. This note schedules those topics.

- a Housing repairs account: local authorities have the option to operate a separate housing repairs account for recording income and expenditure on HRA repairs and maintenance. The authority has decided not to operate such an account, with actual repairs and maintenance being charged to the authority's three ALMOs.
- b Directions by the Secretary of State: the Secretary of State has not directed any sums to be debited or credited to the HRA.
- c Exceptional items: there are no exceptional items of income or expenditure which need to be disclosed to give a fair presentation of the accounts.

# The Collection Fund

This account reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates.

2009/10		2010/11	notes
<hr/>			
2009/10	Summary income and expenditure account £000s		
<i>Income</i>			
(252,640)	Council tax	(258,019)	
(50,534)	Council tax benefits	(54,281)	
13	Transitional relief	18	
<hr/> (303,161)		<hr/> (312,282)	
<hr/> (313,140)	National non-domestic rates	<hr/> (308,476)	C2
<hr/> (616,301)		<hr/> (620,758)	
<i>Expenditure</i>			
Payments to precepting authorities:			
260,054	Leeds City Council	267,280	
30,056	West Yorkshire Police Authority	30,881	
12,130	West Yorkshire Fire and Civil Defence Authority	12,402	
<hr/> 302,240		<hr/> 310,563	C3
Provision for uncollectable amounts and write-offs:			
1,743	Council tax	2,557	
National non-domestic rates:			
311,893	Payment to national pool	307,228	
1,247	Costs of collection	1,248	C2
<hr/> 313,140		<hr/> 308,476	C2
Adjustments to previous years:			
-	Community charge	-	
<hr/> 822	(Surplus) / deficit	<hr/> 838	
<hr/>			
2009/10	Collection Fund balances £000s	2010/11	
805	1 April	(17)	
(822)	Surplus / (deficit) for the year	(838)	
<hr/> (17)	31 March	<hr/> (855)	

# Explanatory notes to the Collection Fund accounts

These notes are intended to explain figures in the Collection Fund Summary Income and Expenditure Account and the Collection Fund Balances statement.

## C1 Council tax base

For 2010/11 there were an estimated 335,113 residential properties in Leeds which were placed in one of eight valuation bands depending upon their capital value by the Listing Officer of the government's Valuation Office Agency. The totals for each band are converted by use of appropriate multipliers and expressed in terms of a number of Band D properties to give a tax base. In 2010/11 the tax base for Leeds was 236,630 properties and this was used to calculate the Band D council tax of £1,306.40, sufficient to generate the income required to cover the net expenditure of the three authorities that precept on the Collection Fund. The table below shows the number of properties in each band and the number of Band D equivalent properties (the tax base).

Council tax base

Band	number of properties in the band	less exempt properties	chargeable dwellings	adjusted chargeable dwellings (i)	proportion of Band D council tax	Band D equivalent dwellings
A (ii)	133,149	(10,459)	122,690	105,553	6 / 9	70,331
B	70,578	(6,128)	64,450	58,058	7 / 9	45,156
C	64,202	(3,173)	61,029	56,186	8 / 9	49,943
D	31,651	(1,613)	30,038	27,994	1	27,994
E	19,197	(511)	18,686	17,720	11 / 9	21,657
F	9,285	(188)	9,097	8,657	13 / 9	12,505
G	6,438	(108)	6,330	6,043	15 / 9	10,072
H	613	(11)	602	559	18 / 9	1,118
	335,113	(22,191)	312,922	280,770		238,776
Allowance for non-collection Defence-exempt properties						(2,149) 3
Base for calculating Leeds City Council 2010/11 council tax						236,630

- i     Adjustments for disabled relief, appeals on bandings, single person discounts etc.  
ii    Includes dwellings that pay 5/9 of Band D by virtue of adjustments for disabled relief.

## C2 Non-domestic rates

Leeds City Council collects national non-domestic rates (NNDR) for its area on behalf of central government. These rates are based on rateable values for properties set by the Valuation Office Agency, part of HM Revenues and Customs, which are multiplied by a uniform business rate set by central government. The uniform business rate was set at 41.4p in the pound for 2010/11 (48.5 p for 2009/10). Small business rate relief was set at 40.7p in the pound for 2010/11 (48.1p for 2009/10). The rateable value at 31st March 2011 was £930,286k (£759,940k at 31st March 2010). The total amount due, after adjusting for certain reliefs and other deductions, is paid into a central pool managed by central government. The government redistributes the sums paid into

the pool back to local authorities in proportion to population. Leeds' share of the pool for 2010/11, paid directly to the Income and Expenditure Account, amounted to £264,968k.

The amounts included in the Collection Fund account under these arrangements are shown below.

#### National non-domestic rates

	£000s	2010/11
366,028	Gross rates and empty rates due	377,687
	<i>Allowances and adjustments</i>	
(20,642)	Exemptions and allowances	(22,594)
(11,460)	Net variations in rateable value assessments	(17,771)
(18,656)	Mandatory and discretionary relief	(17,883)
(3,266)	Write-offs, provision for bad and doubtful debts	(2,969)
(635)	Interest paid on refunds of rates	(683)
1,771	Transitional adjustments	(7,311)
<u>(52,888)</u>		<u>(69,211)</u>
313,140	Income due from business ratepayers	308,476
(1,247)	Cost of collecting national non-domestic rates	(1,248)
<u>311,893</u>	Contribution to national pool	<u>307,228</u>

#### C3 Council tax used to support expenditure on services

The following table analyses council tax payments out of the collection fund.

	£000s	2010/11
259,220	Leeds City Council	
834	Annual precept	267,280
	Payment of council tax surplus	-
<u>260,054</u>		<u>267,280</u>
29,960	West Yorkshire Police Authority	
96	Annual precept	30,881
	Payment of council tax surplus	-
<u>30,056</u>		<u>30,881</u>
12,091	West Yorkshire Fire and Civil Defence Authority	
39	Annual precept	12,402
	Payment of council tax surplus	-
<u>12,130</u>		<u>12,402</u>
<u>302,240</u>		<u>310,563</u>

Surpluses on the council tax account are transferred to the above three authorities in proportion to their demands on the fund in the year in which the surplus arose. The surpluses are used in future years to adjust the level of council tax.

# The Group Accounts

## GA1 Introduction

Leeds City Council has established a number of bodies to carry out activities on its behalf. This means that the council's own financial statements may not fully reflect the authority's activities.

The aim of the Group Accounts is to give an overall picture of the activities of the authority and the resources used to carry out those activities. The Group Accounts also provide further information on the material financial risks and benefits of all entities over which the authority exercises control, significant influence or joint control.

## GA2 Inclusion within the group accounts

The authority has relationships with a number of entities over which it has varying degrees of control or influence. The Code for local authority accounts requires these to be classified into the categories of subsidiaries, associates and joint ventures. The meanings of these are outlined below –

- a Subsidiary: "An entity, including an unincorporated entity such as a partnership that is controlled by another entity." Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The following entities are classified as subsidiaries of Leeds City Council –

- Education Leeds Ltd
  - The authority's three Arms Length Management Organisations for Housing (ALMOs) which manage the authority's housing stock.
  - Grand Theatre and Opera House
  - Craft Centre and Design Gallery
- b Associate: "An entity, including an unincorporated entity such as a partnership, over which the reporting authority has significant influence and that is neither a subsidiary nor an interest in a joint venture."

The following entities are classified as associates of Leeds City Council –

- Belle Isle Tenant Management Organisation (BITMO)
  - Green Leeds Ltd
  - Groundwork Leeds Ltd
  - Marketing Leeds Ltd
- c Joint Venture: "An entity in which the reporting authority has an interest on a long term basis and which is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement."

In January 2009 the authority entered into a partnership with Bellway Homes to form Easel Leeds Limited to develop land for housing in the south east Leeds area. However, due to the downturn in the housing market work did not commence and there have been no transactions in the accounts. The company is currently dormant.

More detailed information regarding the individual subsidiaries, associates and joint ventures of Leeds City Council are included in notes G5 and G6.

### **GA3 Accounting policies used in preparing the group financial statements**

Individual entities within the group have properly adopted different accounting policies, consistent with their different circumstances. In order to ensure consistency of accounting treatment across the group, the accounts of each group entity have been realigned to the group accounting policies. The accounting policies used in preparing the group accounts are generally those of Leeds City Council (see the main Accounting Policies section), but to align them more closely to some aspects of the Group entity's own accounting policies (UK Generally Accepted Accounting Practices), they differ in the following respects:

#### **GA3.1 Fixed assets**

Fixed assets held by group entities which fall within the asset categories covered by the authority's own accounting policies are revalued in line with the authority's accounting policies where material. Fixed assets held by group entities which are sufficiently specialist in nature not to fall within the scope of the authority's accounting policies are valued in accordance with the accounting policies of the individual entities.

#### **GA3.2 Controlled funds**

Adjustments have been carried out for any assets and liabilities of trusts considered to be material and regarded as directly controlled by the authority and generating benefits for the authority. Income and expenditure have been disclosed gross in the group income and expenditure account before the net cost of services.

#### **GA3.3 Consolidation**

- a Subsidiaries have been consolidated on a line by line basis, and associates have been consolidated using the equity method.
- b Adjustments have been carried out for any assets and liabilities of trusts considered to be material and regarded as directly controlled by the authority and generating benefits for the authority. The income and expenditure have been disclosed gross in the group income and expenditure account before net cost of services.
- c Details of the two trust funds which have been consolidated in their entirety into the group accounts appear in note G1.

# Group Comprehensive Income and Expenditure Statement

This statement sets out the income and expenditure relating to the council and its subsidiaries and associates as a whole, together with any appropriations to reserves.

	2009/10 net expenditure £000s	2010/11			
		gross expenditure	gross income	net expenditure	notes
247,311	Adult Social Care	301,978	64,382	237,596	
(12,542)	Central Services	346,721	337,728	8,993	
270,405	Children's and Education Services	891,499	651,517	239,982	
1,124	Court Services	1,204	-	1,204	
238,732	Cultural, Environmental and Planning Services	236,092	74,739	161,353	
71,967	Highways, Roads, and Transport	92,834	18,604	74,230	
(209,335)	Housing	741,311	179,387	561,924	
(764)	Other Housing Services	77,442	19,116	58,326	
4,423	Exceptional item – equal pay provision	37,796	-	37,796	
18,432	Corporate and democratic core	16,815	-	16,815	
1,888	Non distributable costs	(326,382)	-	(326,382)	
631,641	Net cost of services	2,417,310	1,345,473	1,071,837	
779	(Gain) or loss on disposal of fixed assets			85,875	
31,737	(Gain) or loss on disposal of long term investments			-	
1,408	Parish Council precepts			1,428	
(1,811)	(Surpluses) / deficits on trading undertakings			(1,678)	
3,772	Amounts payable into the Housing Capital Receipts Pool			3,789	
667,526	Net Operating Expenditure			1,161,251	
107,012	Interest payable and similar charges			111,351	
61,458	Pension interest costs and expected return on assets			40,157	G1
9,770	Gain or loss on investment properties			660	
(3,597)	Interest and investment income			(2,024)	
842,169	Net Expenditure after financing and investment			1,311,395	
(259,346)	Council Tax Income			(266,560)	
(242,248)	Non-Domestic Rate			(264,968)	
(240,506)	Non-Ringfenced Government Grants			(254,802)	
100,069	(Surplus) / deficit on provision of services			525,065	
70	Share of the (Surplus) / deficit on the provision of services by associates			(156)	
76	Tax expenses of subsidiaries			148	
-	Tax expenses of associates			-	
100,215	Group (Surplus) / deficit			525,057	
(51,413)	(Surplus) / deficit on revaluation of fixed assets			20,374	
(112)	(Surplus) / deficit on revaluation of available-for-sale assets			25	
781,155	Actuarial (gains) / losses on pension fund			(490,265)	
-	Share of other comprehensive income and expenditure of associates and joint ventures			(115)	
729,630	Other Comprehensive Income and expenditure			(469,981)	
829,845	Total Comprehensive Income and Expenditure			55,076	

## Reconciliation of the Single Entity surplus/deficit for the year to the Group surplus/deficit

2009/10	£000s	2010/11
770,567	(Surplus) or deficit on authority's single entity Income and Expenditure account	127,831
	add: surplus or deficit arising from group entities:	
59,061	subsidiaries	(72,541)
170	associates	(271)
47	trust funds	57
829,845	Group surplus or deficit for year	55,076

# Movement in Reserves Statement

This statement shows the movements in year on the different reserves held by the group, analysed between usable reserves and unusable reserves.

**2010/11**

	General Fund Reserve	Council Useable reserves				Council Unuseable reserves	Total Council reserves	Total Group Entities Reserves	Total Reserves
		HRA Reserve	Earmarked GF revenue reserves	Useable capital reserves	Total useable reserves				
Balance brought forward 1st April 2010	16,076	18,131	40,760	87,047	162,014	676,330	838,344	(63,633)	774,711
Surplus / (deficit) on provision of services	69,798	(634,246)	-	-	(564,448)	-	(564,448)	39,391	(525,057)
Other comprehensive income and expenditure	-	-	-	-	-	436,617	436,617	33,364	469,981
Total comprehensive income and expenditure	69,798	(634,246)	-	-	(564,448)	436,617	(127,831)	72,755	(55,076)
Statutory adjustments between accounting basis and funding basis	(49,611)	636,191	-	102,858	689,438	(689,438)	-	-	-
Statutory transfer to Major Repairs Reserve	-	-	-	46,614	46,614	(46,614)	-	-	-
Increase / (decrease) before transfers	20,187	1,945	-	149,472	171,604	(299,435)	(127,831)	72,755	(55,076)
Transfers to/(from) earmarked revenue reserves	(15,132)	-	15,132	-	-	-	-	-	-
Transfers to fund capital expenditure	-	-	-	(142,812)	(142,812)	142,812	-	-	-
Increase / (decrease) during year	5,055	1,945	15,132	6,660	28,792	(156,623)	(127,831)	72,755	(55,076)
Balance carried forward 31st March 2011	21,131	20,076	55,892	93,707	190,806	519,707	710,513	9,122	719,635

**2009/10**

	General Fund Reserve	Council Useable reserves				Council Unuseable reserves	Total Council reserves	Total Group Entities Reserves	Total Reserves
		HRA Reserve	Earmarked GF revenue reserves	Useable capital reserves	Total useable reserves				
Balance brought forward 1st April 2009	19,296	18,794	32,972	73,161	144,223	1,464,688	1,608,911	(4,355)	1,604,556
Surplus / (deficit) on provision of services	(263,827)	157,731	-	-	(106,096)	-	(106,096)	5,881	(100,215)
Other comprehensive income and expenditure	-	-	-	-	-	(664,471)	(664,471)	(65,159)	(729,630)
Total comprehensive income and expenditure	(263,827)	157,731	-	-	(106,096)	(664,471)	(770,567)	(59,278)	(829,845)
Statutory adjustments between accounting basis and funding basis	268,395	(158,394)	-	79,057	189,058	(189,058)	-	-	-
Statutory capital adjustments	-	-	-	61,436	61,436	(61,436)	-	-	-
Increase / (decrease) before transfers	4,568	(663)	-	140,493	144,398	(914,965)	(770,567)	(59,278)	(829,845)
Transfers to/(from) earmarked revenue reserves	(7,788)	-	7,788	-	-	-	-	-	-
Transfers to fund capital expenditure	-	-	-	(126,607)	(126,607)	126,607	-	-	-
Increase / (decrease) during year	(3,220)	(663)	7,788	13,886	17,791	(788,358)	(770,567)	(59,278)	(829,845)
Balance carried forward 31st March 2010	16,076	18,131	40,760	87,047	162,014	676,330	838,344	(63,633)	774,711

# Group Balance Sheet

The Group Balance Sheet summarises the financial position of the council and its subsidiaries and associates as a whole. It shows the value of the group assets and liabilities at the end of the financial year.

<i>31 March 2010</i>	<i>£000s</i>	<i>31 March 2011</i>	<i>notes</i>
	<i>Long term assets</i>		
4,212,410	Property, Plant & Equipment	3,483,235	
46,708	Investment Property	48,051	
8,166	Intangible fixed assets	5,908	
26,842	Long-term investments	17,088	
20,730	Long-term debtors	19,453	
<b>4,314,856</b>		<b>3,573,735</b>	
	<i>Current assets</i>		
129,830	Debtors	87,753	
1,418	Investments	10,135	
2,590	Inventories	2,819	
5,100	Assets held for sale	3,882	
63,220	Cash and cash equivalents	75,681	G8
<b>202,158</b>		<b>180,270</b>	
	<i>Current liabilities</i>		
(206,363)	Creditors	(172,792)	
(123,598)	Borrowing repayable on demand or within one year	(193,855)	
(8,546)	Provisions for current liabilities	(3,966)	
<b>(338,507)</b>		<b>(370,613)</b>	
	Total assets less current liabilities	<b>3,383,392</b>	
	<i>Long term liabilities</i>		
(1,333,830)	Long-term borrowing	(1,298,830)	
(1,574,957)	Net pensions liability	(783,371)	G1
-	Government grants and contributions deferred	-	
(488,966)	Deferred Liabilities	(536,756)	
(1,582)	Capital grants receipts in advance	(1,807)	
(4,461)	Provisions for long term liabilities	(42,993)	
<b>(3,403,796)</b>		<b>(2,663,757)</b>	
<b>774,711</b>	Total assets less liabilities	<b>719,635</b>	
	Financed by		
	<i>Unusable Capital accounting balances</i>		
271,180	Revaluation Reserve	236,179	
1,951,058	Capital Adjustment Account	1,098,238	
9,295	Deferred capital receipts	8,683	
140	Available for sale reserve	115	
<b>2,231,673</b>		<b>1,343,215</b>	
	<i>Usable capital funding reserve</i>		
-	Usable capital receipts reserve	-	
87,047	Capital grants unapplied	93,707	
-	Major Repairs Reserve	-	
<b>87,047</b>		<b>93,707</b>	
	<i>Unusable statutory revenue reserves</i>		
(1,473,096)	Authority pensions reserve	(740,368)	G1
(70,981)	Financial instruments adjustment account	(71,311)	
(101,861)	Subsidiary companies' pensions reserves	(43,003)	G1
(11,094)	Accumulated absences account	(10,939)	
(15)	Collection fund adjustment account	(735)	
-	Equal pay back pay account	-	
<b>(1,657,047)</b>		<b>(866,356)</b>	
	<i>Usable revenue reserves</i>		
16,076	General Fund Reserve	21,131	
18,131	Housing Revenue Account Reserve	20,076	
40,760	Other earmarked reserves	55,892	
38,071	Group companies general reserves	51,970	G2
<b>113,038</b>		<b>149,069</b>	
<b>774,711</b>	Total reserves and balances	<b>719,635</b>	

# Group Cash Flow Statement

The Group Cash Flow Statement summarises the cash flows of the council and its subsidiaries and associates during the year.

	2009/10 £000s	2010/11	notes
(100,069) Net surplus or (deficit) on the provision of services		(525,065)	
Adjustments to the net surplus or deficit on the provision of services			
169,724 for non-cash movements and/or investing and financing activities		<u>613,186</u>	
69,655 Net cash flow from operating activities			88,121
Dividends from associates and joint ventures:			
- Dividends received			-
Capital and financial investment activities:			
<i>Cash outflows</i>			
(203,975) Purchase of fixed assets		(219,354)	
- Other capital cash payments		-	
- Purchase of financial investments		-	
(2,101) Long term loans		-	
<i>Cash inflows</i>			
81,740 Capital grants received		101,371	
14,718 Sale of fixed assets		12,562	
- Net decrease in short term deposits		27	
15,018 Sale of investments		1,032	
6,305 Other capital cash receipts		6,135	
- Repayment of long-term debtors		-	
(88,295)		<u>(98,227)</u>	
(18,640) Net cash inflow / (outflow) before financing		<u>(10,106)</u>	
Financing:			
<i>Cash outflows</i>			
(819,542) Short-term loans repaid		(608,901)	
(106,106) Loans repaid		(10,237)	
(7,178) Finance lease principal repayments		(11,976)	
<i>Cash inflows</i>			
831,775 New short-term loans raised		633,681	
120,000 New loans raised		20,000	
18,949		<u>22,567</u>	
309 Increase / (decrease) in cash and cash equivalents		<u>12,461</u>	
62,911 Balance of cash and cash equivalents brought forward		63,220	
309 Increase / (decrease) for the year		12,461	
63,220 Balance of cash and cash equivalents carried forward		<u>75,681</u>	G8

# Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the authority's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the authority's accounts.

## G1 IAS 19 pension assets and liabilities

The purpose of IAS 19 is to ensure that the authority's financial statements reflect at fair value the future pension liabilities which have been incurred, and the extent to which assets have already been set aside to fund them. This means that IAS 19 based pensions assets and liabilities are included in the Group Comprehensive Income and Expenditure Account and in the Group Balance Sheet. Group subsidiaries contribute to two pension schemes: the West Yorkshire Pension Fund (WYPF) and Teachers' Discretionary Pensions. The inclusion of the group entities' figures for the West Yorkshire Pension Fund have a material impact on the required explanatory notes. The Teachers Discretionary Pensions note is unaffected in the group accounts. The table below gives a summary of the IAS 19 transactions within the group accounts:

### Summary of IAS19 pensions reserve transactions

2009/10			2010/11			
WYPF	Teachers	Total	WYPF	Teachers	Total	
673,503	75,089	748,592	1st April	1,484,838	90,119	1,574,957
<i>In Surplus/(Deficit) on the provision of services; transferred to reserves as a statutory adjustment</i>						
(10,325)	(5,713)	(16,038)	Service expenditure less actual contributions	(329,341)	(12,503)	(341,844)
56,326	5,132	61,458	Interest cost and expected return on assets	35,673	4,484	40,157
<i>In Other Comprehensive Income &amp; Expenditure</i>						
765,334	15,611	780,945	Actuarial gains and losses	(498,313)	8,414	(489,899)
1,484,838	90,119	1,574,957	31st March	692,857	90,514	783,371

The last full actuarial valuation for the WYPF was carried out as at 31st March 2010. An interim actuarial review was carried out in order to calculate the figures required under IAS 19. In calculating the authority's assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future, meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values. The following actuarial assumptions were made:

## WYPF – actuarial assumptions

	31/03/2010	31/03/2011
<b>Financial assumptions</b>		
3.9%	Rate of inflation (RPI)	3.7%
-	Rate of inflation (CPI)	2.8%
5.7%	Rate of increase in salaries	5.2%
3.9%	Rate of increase in pensions	2.8%
5.5%	Discount rate	5.4%
<b>Expected rate of return on assets</b>		
8.0%	Equities	8.4%
4.5%	Government bonds	4.4%
5.5%	Other bonds	5.1%
8.5%	Property	7.9%
0.7%	Cash / liquidity	1.5%
8.0%	Other	8.4%
<b>Split of assets between investment categories</b>		
71.6%	Equities	73.1%
12.2%	Government bonds	11.4%
3.4%	Other bonds	3.9%
3.4%	Property	3.6%
3.4%	Cash / liquidity	2.3%
6.0%	Other	5.7%

At 31st March 2011, the fund's actuaries estimated that the group had the following assets and liabilities for pension's payable through the West Yorkshire Pension Fund.

## WYPF – assets and liabilities

31/03/2010	£000s	31/03/2011
(3,384,928)	Estimated present value of liabilities	(2,851,233)
1,900,090	Fair value of assets	2,158,376
<u>(1,484,838)</u>	<u>Net asset / (liability)</u>	<u>(692,857)</u>

WYPF – movement in net pension asset / (liability)

£000s	<i>2010/11</i>		
	<i>liabilities</i>	<i>assets</i>	<i>net</i>
1 April	(3,384,928)	1,900,090	(1,484,838)
<i>Actuarial gains and losses</i>			
Asset gain / (loss)	-	117,052	
Liability gain / (loss)	381,261	-	
	381,261	117,052	498,313
<i>Service Expenditure</i>			
Current service cost	(87,187)	-	
Past service cost	350,239	-	
Curtailment cost	-	-	
Employer contributions	-	66,289	
	263,052	66,289	329,341
<i>Finance gains and losses</i>			
Expected return on assets	-	136,392	
Interest on pension liabilities	(172,065)	-	
	(172,065)	136,392	(35,673)
<i>Other movements</i>			
Benefits paid	87,691	(87,691)	
Employee contributions	(26,244)	26,244	
Transfers in/out	-	-	
	61,447	(61,447)	-
31 March 2011	(2,851,233)	2,158,376	(692,857)

WYPF – actuarial gains and losses

	<i>gain / (loss)</i>	
	<i>£000s</i>	<i>percentage</i>
Difference between expected and actual return on assets	117,052	5.4% of assets
Difference between expected and actual gains and losses on liabilities	180,933	-6.3% of liabilities

## G2 Summary of movement in general reserves

£000s	31/03/2010	<i>net movements</i>	31/03/2011
<i>Subsidiary companies</i>			
Education Leeds Ltd	2,603	(764)	1,839
Aire Valley Homes	6,035	4,189	10,224
West North West Homes Leeds	14,856	4,633	19,489
East North East Homes Leeds	10,941	5,645	16,586
The Craft Centre and Design Gallery Limited	55	(3)	52
Leeds Grand Theatre and Opera House Ltd	610	(17)	593
	<b>35,100</b>	<b>13,683</b>	<b>48,783</b>
<i>Directly managed funds</i>			
St Aidan's Trust	2,436	(29)	2,407
Fulford Endowment	100	(28)	72
	<b>2,536</b>	<b>(57)</b>	<b>2,479</b>
<i>Associate companies</i>			
Belle Isle Tenant Management Organisation	26	139	165
Green Leeds Limited	259	(117)	142
Marketing Leeds Limited	129	80	209
The Leeds Groundwork Trust	21	171	192
	<b>435</b>	<b>273</b>	<b>708</b>
Total group companies general reserves	<b>38,071</b>	<b>13,899</b>	<b>51,970</b>

The subsidiary companies have been consolidated using the line by line method and therefore the net movements above exclude any IAS 19 effects, which are shown as a separate item in the group balance sheet. A summary of the subsidiaries operating results, which include the IAS 19 surplus/ (deficit) amounts, can be viewed in more detail in note G6.

## G3 Contingent liability for Leeds City Council

The authority acts as a guarantor for group entities' admittance to the West Yorkshire Pension Fund. Any liability to the authority would only occur if any entity did not have sufficient assets to meet its pension liabilities.

## G4 Group subsidiary company performance

There are six entities which are classified as subsidiaries of the authority in accordance with the Code. These are:

- Education Leeds Ltd
- The three Arms Length Management Organisations for Housing (ALMOs)
- Craft Centre & Design Gallery
- Grand Theatre & Opera House

The dominant relationship that Leeds City Council exerts over these entities results in this classification. Due to this relationship, the group financial statements treat the financial information of the authority and its subsidiaries as a single economic entity to show the resources controlled by the group, the obligations of the group and the results the group achieves with its resources.

Further information regarding these subsidiaries is outlined on the following pages.

#### **G4.1 Education Leeds Ltd (Companies House registration number 4155758)**

##### **a Nature of the business**

The company was established by the authority to promote the raising of educational standards in Leeds through the delivery to schools, pupils and parents of high quality and timely education support and administrative services. A contract agreement existed between the authority and Education Leeds. The contract came to an end on 31 March 2011.

##### **b Relationship with the authority**

The company has no share capital and is wholly owned by the authority. The authority would be entitled to all of Education Leeds' assets in the event of winding up, once all debts and liabilities had been satisfied.

The authority holds 40% of the voting rights. The company has five members: two from the authority, two from Capita Business Services Limited and an independent Chair, each agreeing to contribute £1 if the company is wound up.

As Education Leeds is wholly owned by the authority, which has a 40% representation at board level, the authority has the ability to exercise dominant influence.

The authority acts as a guarantor for Education Leeds' admittance to the West Yorkshire Pension Fund. Any liability to the authority would only occur if Education Leeds did not have sufficient assets to meet its pension liabilities.

##### **c Financial performance**

In 2010/11 the company made an operating surplus of £13,153k (a deficit £2,405k in 2009/10). The figure for 2010/11 included a pension liability past service cost gain of £16,928k arising from the move from RPI to CPI for future public sector pension increases.

On 31st March 2011 it had net liabilities after depreciation of £28,872k (net liabilities after depreciation of £62,538k at 31st March 2010).

##### **d Accounts**

The financial accounts of the company can be obtained from the Strategic Manager, Resource Management, 8th Floor East, Merrion House, Leeds, LS2 8DT.

#### **G4.2 Arms Length Management Organisations for Housing**

<i>Company</i>	<i>Companies House registration number</i>
<i>Established March 2007 :</i>	
Aire Valley Homes	06031620
West North West Homes Leeds	06031549
East North East Homes Leeds	06031596

##### **a Nature of the business**

In March 2007, the authority established three Arms Length Management Organisations (ALMOs) to manage its stock of council houses replacing six previous ALMOs.

The ALMOs provide, manage, maintain, improve, demolish or convert the housing stock. They also provide amenities and services for residents of the housing stock and carry out activities which contribute to the regeneration or development of the area.

b Relationship with the authority

The three ALMOs have no share capital and are wholly owned by the authority. The authority would be entitled to the assets of the ALMOs in the event of their winding up, after debts and liabilities had been met. The authority has agreed to contribute £1 if any company is wound up.

The total number of board members must be at least fifteen and no more than eighteen. The council has the entitlement to have a maximum number of eight board members. The proportion of voting rights the authority currently holds therefore varies between ALMOs.

As the authority wholly owns the ALMOs, it has the right to exercise dominant influence.

c Financial Performance

In 2010/11 the ALMOs made a combined net operating surplus totalling £37,820k. The ALMOs' operating results for 2010/11 are shown in detail in the table below.

2010/11 ALMO Operating Results

	Total operating surplus / (deficit)	IAS19 surplus / (deficit)	Operating surplus / (deficit) before IAS19
Aire Valley Homes	6,819	2,623	4,196
West North West Homes Leeds	8,517	3,882	4,635
East North East Homes Leeds	10,823	5,156	5,667
	26,159	11,661	14,498

On 31st March 2011, they had total net assets of £34,501k (net liabilities of £3,450k at 31st March 2010).

d Accounts

At the time these accounts were prepared some of the ALMO accounts were subject to board and audit approval. The financial accounts for the ALMOs can be obtained from the Director of Resources, Leeds City Council.

**G4.3 Craft Centre & Design Gallery (Companies House registration number 1685289)**

a Nature of the business

The company was established to further and support the public educational purposes of Leeds City Council Art Galleries. More particularly, to encourage the understanding, appreciation and commission of good design. The company is registered with both Companies House and the Charity Commission (513457) and is trading in its own right.

b Relationship with the authority

The company has no share capital and is wholly owned by the authority. The authority would be entitled to all of the company's assets in the event of winding up, once all debts and liabilities had been satisfied.

Leeds City Council controls the board of management. The City Council owns the Art gallery premises used by the charity and provides administrative support it. All six board members are nominated by the authority.

c Financial Performance

In 2010/11 the company made an operating surplus of £91k (deficit of £95k in 2009/10).

On 31st March 2011 it had net assets of £29k (net liabilities of £62k at 31st March 2010).

d Accounts

The financial accounts for the Craft Centre & Design Gallery can be obtained from the Director of Resources, Leeds City Council.

**G4.4 Grand Theatre & Opera House (Companies House registration number 4155758)**

a Nature of the business

The company was established to promote, maintain, improve and advance education, particularly by the production of educational plays and encouragement of the arts. And to receive, educate and train students in drama, dancing, music and other arts.

b Relationship with the authority

The company has no share capital and is wholly owned by the authority. The authority would be entitled to all of the company's assets in the event of winding up, once all debts and liabilities had been satisfied.

All 9 company members are authority members.

c Financial Performance

In 2010/11 the company made an operating surplus of £834k (deficit of £928k in 2009/10).

On 31st March 2011 it had net assets of £122k (net liabilities of £711k at 31st March 2010).

d Accounts

The financial accounts for Grand Theatre and Opera House can be obtained from the Director of Resources, Leeds City Council.

**G5 Associates and joint ventures**

The authority has four associates to include in the group accounts:

- Belle Isle Tenant Management Organisation
- Marketing Leeds
- Green Leeds
- Groundwork Leeds

In January 2009 the authority entered into a joint venture, Easel Leeds Limited, with Bellway plc. Further details of the company appear below.

## **G5.1 Belle Isle Tenant Management Organisation**

### **a Nature of the business**

Belle Isle Tenant Management Organisation (BITMO) delivers housing and estate management services, on behalf of Leeds City Council, to the Belle Isle neighbourhood in South Leeds.

Established in 2004, BITMO has built on the achievements of Belle Isle North Estate Management Board and nearly two decades of local tenant involvement and partnership with Leeds City Council.

### **b Relationship with the authority**

Belle Isle Tenant Management Organisation is an independent body constituted as an Industrial and Provident Society. It is autonomous and not a subsidiary company of the Council like the ALMOs. The Board of management is tenant led. The contractual relationship between the Council and the TMO is governed by a statutory modular management agreement common to all tenant management organisations through which the Council has delegated a range of housing management functions. Chapter 7 of the agreement allows the Council to nominate one or more persons, as the TMO requests, to the Board. The two local ward councillors are the current nominees and the option selected gives these nominees voting rights. The TMO is non asset holding with the Council retaining ownership of the stock and remaining landlord.

BITMO has a Board of Management with a local tenant majority.

Leeds City Council has two board members and the remaining eight board members are tenants, giving the authority 20% of the voting rights.

### **c Financial Performance**

In 2010/11 the company made an operating surplus of £607k (surplus of £112k in 2009/10).

On 31st March 2011 it had net assets of £826k (net assets of £130k at 31st March 2010).

### **d Accounts**

The financial accounts for Belle Isle Tenant Management Organisation can be obtained from the Director of Resources, Leeds City Council.

## **G5.2 Marketing Leeds (Companies House registration number 5113663)**

### **a Nature of the business**

Marketing Leeds is the city's strategic marketing organisation. It aims to raise the regional, national and international profile of Leeds as a vibrant, dynamic, internationally competitive city region and as the gateway to Yorkshire and the UK.

Marketing Leeds works in partnership with existing organisations wherever possible, collaborating to create the greatest impact on the widest audience, ensuring that external perceptions reflect the high quality of the city region's offer.

### **b Relationship with the authority**

Marketing Leeds is mainly funded from our Leeds Champions and Leeds City Council.

The company has two key shareholders; these are Leeds City Council and Leeds, York and North Yorkshire Chamber of Commerce, representing the broader business community and a board of ten from the public and private sectors of the city, therefore representing a broad range of interests.

Leeds City Council has a maximum capacity of 49% of the voting rights. Currently two of the nine board members are from the authority.

c Financial Performance

In 2010/11 the company made an operating surplus of £163k (surplus of £97k in 2009/10).

On 31st March 2011 it had net assets of £427k (net assets of £264k at 31st March 2010).

d Accounts

The financial accounts for Marketing Leeds can be obtained from the Director of Resources, Leeds City Council.

**G5.3 Green Leeds (Companies House registration number 3438238)**

Registered with Companies House (3438238) and the Charities Commission (1076669).

a Nature of the business

Green Leeds Ltd is a company, registered charity and partnership between Leeds City Council and Groundwork Leeds. It was established in September 1997 for the purpose of receiving and administering landfill tax credits in Leeds. Landfill tax funding must be spent on projects fulfilling Entrust objectives. This includes reclamation, reduction in pollution, environmental improvement and environmental protection. Another requirement is that the site must have full public access.

b Relationship with the authority

Green Leeds is wholly owned by Leeds City Council and has no share capital. The authority would be entitled to all of the company's assets in the event of winding up, once all debts and liabilities had been satisfied.

The maximum number of Directors is eight. Leeds City Council is entitled to appoint up to four persons to be council Directors of the company. Four are nominated by Groundwork Leeds.

c Financial Performance

In 2010/11 the company made an operating deficit of £234k (deficit of £263k in 2009/10).

On 31st March 2011 it had net assets of £284k (net liabilities of £517k at 31st March 2010).

d Accounts

The financial accounts for Green Leeds can be obtained from the Director of Resources, Leeds City Council.

**G5.4 Groundwork Leeds (Companies House registration number 2064992)**

Registered with Companies House (2064992) and the Charities Commission (518154).

a Nature of the business

The company was established to:

- promote the conservation, protection, and improvement of the physical, natural and social environment in the Leeds area.
- provide facilities in the interests of social welfare for recreation and leisure time occupation with the objective of improving the conditions of life for those living, working or resorting to the Leeds area.
- to advance public education in environmental matters.

b Relationship with the authority

Members of the company are the Groundwork Foundation, the Countryside Commission and Leeds City Council. Leeds City Council has 46% of the voting rights. Of the thirteen board members, six are nominated by Leeds City Council, two by the Countryside Commission/Federation of Groundwork Trusts and five are opted trustees.

c Financial Performance

In 2010/11 the company made an operating surplus of £367k (deficit of £32k in 2009/10).

On 31st March 2011 it had net assets of £754k (net assets of £387k at 31st March 2010).

d Accounts

The financial accounts for Groundwork Leeds can be obtained from the Director of Resources, Leeds City Council.

**G5.5 Easel Leeds Limited (Companies House registration number 06785866)**

a Nature of the business

The principal activity of the company is to implement the delivery of the EASEL regeneration project, procuring regeneration and development projects to improve the social, economic and environmental well being of the east and south east Leeds area.

b Relationship with the authority

The authority holds a 50% share in the company, and the other 50% is held by Bellway plc. Each shareholder is entitled to appoint two directors, and there is also an independent director.

Easel Leeds Limited is a limited company and the authority had no liability to meet any accumulated deficits or losses.

c Accounts

In 2010/11 there was no activity. The company is registered dormant.

## G6 Controlled funds

At the 31st March 2011 the authority was responsible for and the sole trustee of 43 trust funds. Of these, two material trusts – St Aidan's Trust and the Fulford Endowment – meet the criteria of directly managed funds and have been consolidated in their entirety into the group accounts.

- The purpose of the St Aidan's Trust is to fund the environmental restoration works on completion of mining at the St Aidan's site, and make the trust land available in the interests of social welfare for public recreation and leisure time occupation for those living, working in, or visiting the South Leeds area. In 2010/11 the net movement in funds of the charity was a decrease of £29k (decrease of £29k in 2009/10). On 31st March 2011 it had net assets of £2,407k (£2,436k at 31st March 2010).
- The Fulford Endowment is a trust fund set up for the enrichment of the Temple Newsam Estate, a historic building and parklands owned by the authority. The trust has been used to fund part of the restoration cost of the house and to contribute to the purchase of items and security of the house. In 2010/11 the net movement in funds balances was a decrease of £27k (a decrease of £18k in 2009/10). On 31st March 2011 it had net assets of £73k (£100k at 31st March 2010).

## G7 Excepted items

There are certain topics that councils have to report on even in cases when they do not affect their accounts for the year (see explanatory note 23 to the main statements). There is only one further such item to be reported on in relation to the group accounts –

- a Combinations: during 2010/11 there were no new combinations within the group, either as mergers (where the combination is based on the legal transfer of stock) or as acquisitions (where stock is purchased).

## G8 Cash and Cash Equivalents

The following table gives a breakdown of the total figure for cash and cash equivalents shown in the balance sheet.

31/03/2010	£000s	31/03/2011
61,762	Cash in hand	74,230
(1,312)	Cash overdrawn	(1,684)
2,769	Cash equivalents	3,135
<hr/>	<hr/>	<hr/>
63,219		75,681

## G9 Transition to IFRS Based Accounting

Under the transition to IFRS based accounting, Local Authorities are required to produce an opening IFRS compliant balance sheet as at 1<sup>st</sup> April 2009. The IFRS Opening Balance Sheet for the Group can be seen on page 117.

Information on the changes to the authority's reserves and balances at 1<sup>st</sup> April 2009 as a result of the move to IFRS based accounting are given on page 82. In addition to these changes, the authority's Group reserves and balances have increased by £1,239k as a result of the inclusion of five new entities in its Group. The reserves applicable to each of the new Group entities as at 1<sup>st</sup> April 2009 were :

- Grand Theatre & Opera House £217k
- Craft Centre & Design Gallery £33k
- Belle Isle Tenant Management Organisation £98k
- Marketing Leeds £81k
- Green Leeds £390k
- Groundwork Leeds £356k

# IFRS Group Opening Balance Sheet

£000s	31 March 2009	notes
<i>Long term assets</i>		
Property, Plant & Equipment	4,058,351	
Investment Property	57,612	
Intangible fixed assets	8,540	
Long-term investments	27,648	
Long-term debtors	21,705	
	<hr/>	
	4,173,856	
<i>Current assets</i>		
Debtors	93,638	
Investments	15,497	
Inventories	3,030	
Assets held for sale	3,984	
Landfill allowances	-	
Cash and cash equivalents	62,911	
	<hr/>	
	179,060	
<i>Current liabilities</i>		
Creditors	(169,896)	
Borrowing repayable on demand or within one year	(143,564)	
Provisions for current liabilities	(6,880)	
	<hr/>	
	(320,340)	
Total assets less current liabilities	4,032,576	
<i>Long term liabilities</i>		
Long-term borrowing	(1,286,729)	
Net pensions liability	(748,592)	
Government grants and contributions deferred	-	
Deferred Liabilities	(388,298)	
Capital grants receipts in advance	(544)	
Provisions for long term liabilities	(3,857)	
	<hr/>	
	(2,428,020)	
Total assets less liabilities	<hr/> 1,604,556	
<i>Financed by</i>		
<i>Unusable Capital accounting balances</i>		
Revaluation Reserve	232,252	
Capital Adjustment Account	2,017,841	
Deferred capital receipts	10,145	
Available for sale reserve	28	
	<hr/>	
	2,260,266	
<i>Usable capital funding reserve</i>		
Usable capital receipts reserve	7	
Capital grants unapplied	72,825	
Major Repairs Reserve	329	
	<hr/>	
	73,161	
<i>Unusable statutory revenue reserves</i>		
Pensions reserve	(714,767)	G2
Financial instruments adjustment account	(70,684)	
Subsidiary companies' pensions reserves	(33,217)	G2
Accumulated absences account	(10,582)	
Collection fund adjustment account	693	
Equal pay back pay account	(192)	
	<hr/>	
	(828,749)	
<i>Usable revenue reserves</i>		
General Fund Reserve	19,296	
Housing Revenue Account Reserve	18,794	
Other earmarked reserves	32,972	
Group companies general reserves	28,816	G3
	<hr/>	
	99,878	
Total reserves and balances	<hr/> 1,604,556	

